



Transport Committee

Oral evidence: [The impact of the coronavirus pandemic on the aviation sector: follow-up](#) HC 1257

Wednesday 3 March 2021

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Members present: Huw Merriman (Chair); Mr Ben Bradshaw; Ruth Cadbury; Lilian Greenwood; Simon Jupp; Robert Langan; Karl McCartney; Grahame Morris; Gavin Newlands; and Greg Smith.

Questions 1 to 94

Witnesses

[I](#): Simon Calder, Senior Travel Editor, *The Independent*.

[II](#): Karen Dee, Chief Executive, Airports Operators Association; Tim Hawkins, Chief of Staff, Manchester Airports Group; and Michael O'Leary, Chief Executive, Ryanair.

[III](#): Robert Courts MP, Minister for Aviation, Department for Transport; and Richard Moriarty, Chief Executive, Civil Aviation Authority.



Examination of witness

Witness: Simon Calder.

Q1 Chair: This is the Transport Select Committee evidence session on the impact of Covid-19 on the aviation industry. The Select Committee issued a report and recommendations last summer, and this is a follow-up to see where matters are right now.

We have three panels today. The second panel will consist of airline and airport operators. We will be joined by Karen Dee from the Airports Operators Association; Tim Hawkins from Manchester Airport Group; and Michael O’Leary from Ryanair. The third panel will consist of the chief executive of the Civil Aviation Authority and the Aviation Minister.

The first panel allows us to set the scene for 30 minutes. I ask our sole witness to introduce himself.

Simon Calder: Good morning, Chair, and ladies and gentlemen. I am Simon Calder, the travel editor for *The Independent* or, rather, I used to write about travel and now I mostly write about the many ways we cannot travel or indeed, sometimes, get our money back for trips we were unable to take.

Q2 Chair: Good morning, Simon. Those are all themes we are very keen to cover in the first 30 minutes, and you have set the scene for us. As regards summer 2021 and holidays, do you think people are likely to be able to take them? What form do you think travel will look like if they can?

Simon Calder: Yes, they will certainly be able to take them. I am absolutely confident that particularly places like Greece, Cyprus and Croatia will probably be the first to open up. Clearly, an astonishing amount has to change. First of all, of course, the rule that all holidays are illegal needs to be removed. The idea a year ago that I might even be saying that sentence is absolutely extraordinary.

Next, we would have to change the current very onerous regime for anybody coming into the UK, which involves a test within 72 hours of departure to the UK, two more tests on days two and eight, and 10 days in self-isolation at home or 11 nights at the quarantine hotel on Isolation Row just north of Heathrow. That clearly is not compatible with anybody travelling for leisure.

Of course, the destination country has to be in the position of wanting to welcome us. The pattern that I saw last summer strongly suggests that there will be very significant willingness to accept British travellers. The fact that the NHS vaccine roll-out has been so incredibly successful makes me confident that British travellers will be welcomed to a wide range of destinations. It is deeply regrettable for consumer confidence, the health of the wider travel industry and for airlines that you have the situation where the Transport Secretary is telling people not to book



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holidays, joined by the Home Secretary, Priti Patel, and the Labour Chair of the Home Affairs Select Committee, Yvette Cooper.

Against the barrage of politicians urging people not to consider holidays, I would say that it is absolutely fine to book a holiday, although please make sure that you book it through a proper travel agent. Make sure it is a proper package holiday so that you can then confidently get a refund, as Mr Moriarty will no doubt explain later.

Q3 Chair: Simon, thank you for the opener. Today is Budget day. We spoke to you last spring, and last summer the Committee recommended a series of financial support packages to be put in place for the aviation industry. What do you think of the Government response over the last year? What do you think of the current state of play? As you touched on, there is a bit of a dilemma between additional hotel quarantines and lockdowns for those coming in, and talk of easing into the summer.

Simon Calder: I will take your last question first. Let me address hotel quarantine. It is extraordinary. The line has been that you could not introduce this overnight, whereas the record in Canberra, Australia, shows that that is exactly what the Australians did in March 2020. Therefore, people were given 18 days' warning in order to get in, and there were politicians who were urging people, "Look, if you don't want to go into hotel quarantine, get back from Brazil, South Africa, Portugal or the UAE before then."

We were told it is absolutely essential to prevent variants of concern, but can I portray for you the unintended consequence, which is to greatly increase risk for travellers? There are 33 countries on the red list, as you know, from which direct flights are banned. That is a flight ban; it is certainly not a travel ban. British citizens, as well as Irish citizens and UK residents, can come back. If you look at the arrivals board, as I have just done for Manchester this morning, at 5 past 11 there is Etihad from Abu Dhabi. At quarter past 11 there is Emirates from Dubai. Both of those flights are empty of passengers. They are operating because they still carry some cargo, but, more to the point, there are people waiting in Manchester to fly out to the UAE.

The Government say, "You cannot carry passengers coming in, even though the flights are operating," so the many British people in the UAE, and there are strong connections there, are finding alternative ways via Istanbul, Zurich or Paris, which greatly add to the risk of travel. You have a policy that is doing exactly nothing, other than to increase risk. You are, effectively, not allowing people to do the obvious thing, which is to get on the flights.

I tell you what: if you want to securely apprehend people who have just come in from the UAE, it is great to have them on a non-stop flight from the UAE because then you can segregate them at Manchester airport rather than, as we have seen at Heathrow, people mingling. I am very concerned about the hotel quarantine. It adds to the picture that travel is



wrong and that the UK is closed. Maybe we will get on to the very serious impacts on in-bound tourism.

Your report came out on 13 June, if I am not mistaken. That was five days after the introduction of blanket quarantine, which was another surprising move at a time when it would have made sense to export many holiday-makers to warmer parts of the world with lower infection rates. The wisdom of that policy lasted 33 days, so people can make their own decisions about that.

The Government responded to your excellent report in September. They made some of the right noises. Certainly, the global travel taskforce mark 1 made lots of very good noises. One of the policies, as far as I can see—test to release—was imposed, but all the rest seem to have fallen by the wayside. Here we are, in the middle of an extended lockdown, with not only the Government saying, I think reasonably, “You won’t be able to fly abroad until 17 May,” but also a campaign against consumer confidence. Interestingly, the global travel taskforce mark 1 was very strong on trying to boost consumer confidence, but all the signs I see are that it is going in the opposite direction.

Chair: Thank you, Simon. I want to bring in Members to ask questions now in the 22 minutes we have left.

Q4 **Ruth Cadbury:** Simon, what measures do you think could be enacted to enable international travel safely this summer? Of those, which do you think could continue beyond the pandemic?

Simon Calder: Thank you for your question. Most of the measures that we are taking at the moment will prove to be pretty transient. A very important aspect, I would say, is certification.

In the global travel taskforce, one of the strong recommendations was, “We’ve got to work together with the international community on vaccinations.” I am sure that none of the Committee is old enough to have had their jabs yet but, when you do, you get something that looks a bit like a Blockbuster Video membership card. It is not very impressive. We have no international standards whatsoever. Those will come, and they will be important.

If I can point to a country that seems to be doing everything right at the moment, in May we are going to see international cruising starting up from Israel. It has done even better than the UK in its vaccine programme. One of the big cruise lines, Royal Caribbean, has just moved in a brand new ship, and that will be sailing to Cyprus and Greece.

I think that steers the way forward. It is not going to be the great pan-European opening that Ursula von der Leyen predicted or heralded on Monday. It will be very anarchic—every country for itself. There will be some semblance of European union, but ultimately Greece wants to get us before Portugal does.



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Q5 Ruth Cadbury: We still do not know whether vaccinations stop the transmission of Covid. We know that they stop serious illness and death. Do you think having more knowledge about that will make a difference, and that there almost has to be a plan A and a plan B?

Simon Calder: That is a very good question. In my view, everything is an approximation. That is why I get so despondent on behalf of the traveller who, a year ago, was enjoying absolutely the best aviation industry anywhere in the world in terms of safety, value and opportunities. Now, effectively, the aviation industry has been closed down.

Anybody who says, "It has to be safe"—an absolute term I have heard very often from the Government—means nobody will travel again. The correct phrase, I would suggest, is: at what point do we regard the thankfully reduced cases of hospitalisations and, crucially, of deaths to be reasonable, whereupon we will be regarded as presenting less of a threat to other countries? Crucially, people coming back, or tourists—if you remember them—coming into the UK will be regarded as not so much of a threat because we will have effectively vaccinated ourselves as a nation against people bringing in infections from abroad.

Yes, it is going to be haphazard. Yes, it will depend on medical evidence, but if there is to be any aviation industry left there has to be recognition and acceptance of a certain degree of risk. Other countries have made their decision on that. The UK appears somehow to be managing, in many of its policies, to increase risk, with increasingly strict measures and the general message, "It's very dangerous out there." There is the idea that abroad is unsafe, and lurking out there is a very alarming world and we would all be fine, as they are in Australia and New Zealand, if it was not for people coming into this country. That is a message repeated by the Government in London, the Government in Edinburgh and by Opposition politicians as well.

I am afraid it does no credit to the UK. It is not really who we are. We have always been open and welcoming, but the message is most definitely going out: "Stay here. You're much safer, and, by the way, don't come in if you happen to be a foreigner wishing to take a holiday, see your family or, crucially, do some business." Like the rest of travel, business travel is completely scuppered.

Q6 Lilian Greenwood: Good morning, Mr Calder. When you last appeared before us you said that you were appalled by the conduct of some airlines in relation to the issuing of refunds. Has the situation improved since the first lockdown? Have the Civil Aviation Authority and the Government done enough in this area?

Simon Calder: Thank you for a very good question. I was most certainly appalled. As a reminder, airlines such as British Airways and easyJet were somehow making it tougher for people to get automatic refunds online and diverting them towards vouchers. It will be interesting when you



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speak to Mr O’Leary of Ryanair in a few minutes’ time to get his take on that. Clearly, he had a number of issues in issuing refunds, as you would expect from Europe’s biggest budget airline.

I believe you will hear lots of good figures from Mr Moriarty of the CAA later. I am concerned that not only are there still many people waiting for a refund from anything up to a year ago, but they tend to be in the overseas-based, online travel agent sphere where people are chasing after money that appears to have been refunded but never finds its way to the consumer. I am also very concerned about the lack of teeth that the Civil Aviation Authority still has after it said, “We would like more powers”—after you on the Committee said that it should have more powers, and after the Government said, “Yes, we want to give it more powers.”

I do not know if any of you remember the Ryanair pilots debacle, when the rosters all went wrong, they cancelled loads of flights and they were told they had to refund or rebook people. I think that happened in 2018. I do not think it has come to court yet, which gives you some idea of the pace that the CAA has to work at with its powers under the Enterprise Act.

Things are much better, but, actually, Ms Greenwood, that is largely because hardly anybody has been booking anything, because they have been told, “Ooh, you don’t want to book a holiday.”

Q7 Lilian Greenwood: In the unfortunate circumstance of things getting worse again next winter, and people had flights booked, do you think we could find ourselves in pretty much the same situation?

Simon Calder: It would not be the same situation, simply because I think booking horizons are much shorter; we will hear more on that from the airline point of view. As soon as I am able to get out of the country, I will be the first at the airport at check-in, but I have nothing booked at the moment because there is simply so much uncertainty.

Great; book a holiday for August, by all means. It will be absolutely terrific if you have a family and want to lock into a particular deal in a particular location. Since I hope soon to resume my normal lifestyle of being on holiday while pretending to work, I am just going to take whatever opportunities there are. Short-term booking horizons will most certainly be the order of the day, so we are not going to find ourselves in the same position, where you have millions of people desperately trying to get refunds for trips that plainly could not go ahead.

Q8 Lilian Greenwood: As the industry tries to rebuild consumer confidence, should more airlines and travel companies adopt a trust account model that safeguards customers’ money, so that they can be refunded much more easily in circumstances where flights or holidays cannot go ahead, or people cannot go on them?



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Simon Calder: That is a great question. In a perfect world, absolutely, but, as you know, travel is very cash positive. We created an extraordinary aviation industry—genuinely world-leading—as well as a brilliant wider travel industry on the basis of the old model. I might book for a trip six months ahead, and the tour operator or the airline will use that to pay the costs it has incurred for your trip next week. That has clearly been exposed as a far from ideal business model in terms of leaving so many people short of so many millions of pounds during the pandemic.

In a perfect world, it would be locked in until you stepped from your plane on to UK soil, having had a fantastic holiday, I hope, and then the money would go through.

Q9 **Lilian Greenwood:** Will the model change? If it changed, what would that mean for prices?

Simon Calder: They would undoubtedly go up because it would have the effect of raising barriers to entry very significantly. It would probably cause more consumer harm than benefit. However, I hope that one silver lining in this terrible tragedy is that consumers will be much more attuned to issues of refunds and consumer protection. I will namecheck Trailfinders, who have always had, effectively, a trust account model, and the travel council is also doing a very good job on that. They will perhaps go to suppliers who they know will give them a refund very speedily and in full without a quibble.

Q10 **Chair:** Simon, you talked a bit about price. Do you think there is a danger that consumers will end up being charged more because airports and airlines, understandably, have to claw back the losses they have incurred over the last fallow year?

Simon Calder: Undoubtedly. I don't think it will be a direct reaction: "Mr Merriman paid 50 quid for his flight to Nice last year, but we are going to charge him £60 because we've got to claw that back." It will simply be that during the restart we will see a lot less capacity offered, partly because the last thing any airline that has been losing millions of pounds a day wants to do is expose itself to yet more losses. That will also have the beneficial effect, from their point of view, if demand returns at scale, of keeping prices high. We will be paying more and we will have less choice.

There will be other issues. I am interested to hear what the airport representatives say shortly on the impact of charges. The airport model, where you have extremely high fixed charges and very low marginal costs, will have to be addressed if we are to have a functioning airport industry. Heathrow, which has been in absolute terms far harder hit than other airports, although not in relative terms, is already looking at its whole charging structure, along with the CAA. That might be an interesting question for Mr Moriarty.



We will be paying more and we will be getting less. I have a long memory. If you go back to the bad old days before the likes of Ryanair and easyJet opened up aviation, and before we had open skies in Europe, we tolerated high prices and poor service with a low range of options. We will come back; it is just a question of at what point we come back. At the moment, it is looking something like 2005, which is not great in terms of availability and price. We have been having a wonderful, virtuous falling of fares over time and expanding of opportunities. That is most certainly going into reverse.

Chair: I want to bring in our newest recruit as a member. Welcome, Ben Bradshaw.

Q11 **Mr Bradshaw:** Thank you, Chair. Simon, can I take you back to what you described as the model you expect to operate here post 17 May? You mentioned Israel, but is it your expectation that the quarantine and the testing fall away and are replaced by Covid passports? If so, what about people who, by that stage, have not been vaccinated?

Last summer, we had air corridors, which were pretty free to the countries that were on the corridor. Are you thinking that we will have a less permissive approach this summer, or a more permissive approach applying to more countries?

Simon Calder: That is a very good question. I would say it is going to be pretty much the same in terms of the attitude. You are absolutely right. If we go back to last summer, I have a whole wodge of passenger forms that I filled in for Spain, Italy, Portugal and Greece, none of which was ever looked at. That was all you needed to do at the airport before you left.

I dare say that we will move towards a model of having a test prior to departure that will be much swifter and much cheaper than we are used to. It will almost be blended into the airport experience. You park the car, you have your test, you check in, and you sit around in duty free; and the same in the other direction. That will require the Government here to say that, from a number of destinations—I certainly do not expect the blanket restrictions to be lifted en masse—after looking at infection rates, variants of concern and so on, “Yes, we will let you in with one test before departure.”

At Edinburgh airport, they have deployed really good testing possibilities. It is not as good as a PCR test, but it is much cheaper and easier if you want to restart things. I think that will be the model. I am looking forward to going to whichever places I can go to. I am guessing that they will be along the lines of Greece, Cyprus and Croatia, but they will not require everybody to be vaccinated.

If you look at what the Greek Tourism Minister, Haris Theoharis, has been saying, I think the term is “pre-suading” people. He keeps saying, “Ah fantastic, you’ve had both jabs. In you come.” We are all picturing ourselves sitting at the taverna, overlooking the water at sunset with a



nice glass of Mythos—well, I am—so that is doing really well in marketing Greece as somewhere that will be open to people who have had their jabs. But, crucially, the Greeks are not going to say, “Oh, you can leave the kids at home because they have not had theirs.” They are just going to say something like, “Right, you don’t have a pre-departure test,” or, “You don’t need to fill in a long and complicated form.” They will be pragmatic about it. I think that will be the model everywhere, with Ms von der Leyen in Brussels desperately trying to keep people in order. I don’t think she will manage to herd those particular tourism cats.

Q12 Mr Bradshaw: Simon, given that you sound so confident that we will all be going on foreign holidays this summer, why haven’t you booked anything? That is being very cautious, isn’t it? Prices are very low at the moment. They are bound to go up as soon as people really think it is going to happen. Given the capacity problems you mentioned, prices are going to shoot up, so it is best to book now.

Simon Calder: Absolutely. For many people who want to lock into the prices, I urge you to do that. I am just fed up, as I am sure some of the honourable Members are and many of the public are, of reclaiming and getting refunds from trips last year. Rather than have all that kerfuffle, I would rather just sit here poised, ready the second that Mr Shapps, the Transport Secretary, says, “You can go to country X,” to book my flight.

I am hugely confident that I will be able to travel. I am hugely confident that I am going to make up for lost time and spend as freely as I can, both in the UK and beyond. Tourism has been an immense force for good, spreading wealth to poorer countries and bringing immense riches to the UK. It benefits us here in London. One reason we have such a fantastic range of restaurants, hotels and tourist attractions is that generally foreign people like coming here and they support them. There are immense benefits, and that is not even mentioning the great social and economic benefits that aviation has brought us since the start of the 21st century.

Q13 Chair: Simon, what do you say to constituents of ours who contact us and say it is not right that they should have to prove whether or not they have had a vaccine—that it is Big Brother and an infringement of their human rights? What do you say to those people?

Simon Calder: You are absolutely spot on with that question. It is a really tricky one, but I am afraid it is already happening. The market is going to trump morality, I am afraid. Just look at what Saga Cruises is saying. I realise that none of you would qualify, but in order to go on one you have to be over 50, have had both your vaccinations and waited two weeks. It is making a perfectly reasonable commercial decision.

Yes, that will certainly disadvantage some people who, for medical or their own personal reasons, have not had the vaccine, but I am afraid that is what the world is like. You cannot go to a large number of countries in the tropics in Africa and Latin America without a yellow fever



vaccine. I am afraid it is the same. It is ultimately the traveller's choice, combined with the rules of the country. We will see individual countries saying, "You have to have a vaccine to come in," as they already are in Estonia, Romania, Georgia and Poland. You can forget all the quarantine and testing rules. That is absolutely going to happen.

The model of countries vaccinating themselves against tourism is also going to become quite lively. The Seychelles is hoping to achieve that status this month. It will be a mess of different models. Of course, the wider picture is that the world needs to be confident about the trajectory of infection rates. Meanwhile, aviation just does the best it can.

Chair: Simon, as ever, thank you so much for setting the scene for us. It is great to see you again. On behalf of us all, we wish you very well and hope you get some answers to some of the questions you have posed in the last 30 minutes. Thank you again.

Examination of witnesses

Witnesses: Karen Dee, Tim Hawkins and Michael O'Leary.

Q14 **Chair:** On our second panel, we have representatives from the airlines and airports sector. Could I ask them to introduce themselves?

Karen Dee: Good morning, everyone. My name is Karen Dee and I am the chief executive of the Airport Operators Association.

Tim Hawkins: Good morning, Chair. I am Tim Hawkins from Manchester Airports Group, where I am chief of staff.

Michael O'Leary: Good morning, everybody. I am Michael O'Leary, chief executive of the Ryanair group of airlines, speaking to you from Dublin.

Q15 **Chair:** Welcome to you Michael, Karen and Tim. Members have lots of questions to pose to you. I will kick off with a bit of an opener for you all. Tim and then Michael, I want to ask you about the financial impact this pandemic continues to have on your businesses. When do you think you will return to profit, and what do you think of the Government support for your businesses?

Tim Hawkins: It is clear from the reporting that the impact on air transport and the aviation sector has been immense. It has been an incredible ordeal over the last 12 months dealing with very low passenger numbers. In a normal year, across our three airports we would expect to see around 62 million passengers. We are expecting to see around 10% of that number over the current 12 months. At the moment, we have probably between 2% to 4% of passenger numbers—around 4% at Manchester and around 2% at Stansted. There are no passengers at all at East Midlands.

Our turnover has fallen off a cliff. We would have a turnover of around £850 million in a normal year. We expect that to have fallen to roughly



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about 15% of that number during the course of the last 12 months, but we are a business with huge fixed costs, as Simon Calder was saying. We will still have to bear around two thirds of the costs that we would normally see in any particular year. That means a huge fall in earnings and profitability for the business during that period. With virtually no revenue but two thirds of our costs, that is an inevitable outcome. We have had some limited support from Government for some of those costs, but in the scale of the overall cost base for the business it has been relatively small.

In the autumn, we were expecting to begin a recovery as we went into the summer season this year. We were expecting the spring to begin that recovery and to see a sustained recovery in passenger volumes over the summer. That has shifted back, clearly, with the circumstances we have had over the last few months. With the Government's controls and restrictions and their staged road map, the earliest date that we can see a recovery is mid-May, but we have yet to see what the stages will be and their timing.

Overall, we expect to see a recovery. We will probably see the business get back to normal, pre-Covid levels over the next three years. We think it will take until 2024 for the recovery to be complete. There is an extended timeline when the business will be under pressure and suffering loss.

Q16 Chair: Thank you, Tim. Michael, from Ryanair's perspective, what is the financial impact you continue to suffer, and what are your views on the Government support that has been afforded?

Michael O'Leary: Thank you, Chair. I will try to be as brief as possible to leave most of the time we have for a Q&A, which might be more helpful to the Committee members.

The impact of the pandemic has been devastating. To give you some examples, Ryanair's traffic in the year prior to the pandemic was 150 million passengers. In the current year, which ends at the end of March, we will probably have just over 27 million passengers. We have been, essentially, wiped out.

In the year before the pandemic, we made a profit of just over €1 billion. This year—obviously, we are in a closed period—the general consensus is that we are heading for a loss of about €850 million. There is a swing of something of the order of 2 billion. We are probably in a better position than almost any other airline. The IAG Group is heading for a loss of £6 billion, and easyJet has announced losses of similar levels to us. It has been devastating.

In addition to that, a huge number of airlines have gone bust. Norwegian has essentially gone bust. Flybe has disappeared; Thomas Cook has disappeared; and Germanwings has disappeared. When we talk about the recovery, one of the big challenges for our industry, which feeds the



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tourism industry of the UK and the rest of Europe, is that a massive loss of seat capacity has disappeared and will take a considerable number of years to replace.

There has been no more devastating event in our industry in the 100 years that commercial airlines have been flying. To put it into some context, after the 9/11 terrorist attacks on New York, airlines in Europe were grounded for four days. Under Covid, we have, essentially, been grounded for 365 days, and our business has been wiped out.

When will we return to profit? Nobody knows. The best we can hope for will be a reasonable return to operations and volume flying this summer. That is largely predicated on the continuing and successful roll-out of the vaccine programme. I have been, rightly, very critical of the UK Government's handling of the Covid situation, but they deserve tremendous credit for the extraordinary success they have delivered in the roll-out of the vaccine. So credit where it is due, and equally criticism where it is due.

I speak here of the UK and Europe interchangeably. We would be hopeful that we could fly at maybe 60% or 70% of our normal traffic volumes during the peak summer months of the school holidays this year: June, July, August and September. That might build to 70% or 80% of normal volumes next winter. That is because we only operate in short haul. In long haul to southern hemisphere countries like Latin America, it will be a much slower recovery. That is about as optimistic as it is going to get. If that happens, we would be hopeful that we might operate at close to break-even for the next year, to March 2022. Then we might see a recovery to profitability by March 2023.

On the Government's support for business, it would be churlish not to recognise the support we received from the furlough scheme, but in our industry the furlough scheme has been a very poor and limited support. We have lots of well-paid cabin crew and pilots who are on the furlough scheme. While we are grateful for that support, they are taking a huge hit to their incomes. We cannot afford to pay them or to top up their wages.

The furlough scheme, while welcome, falls way short of what our cabin crew and our pilots would be earning in a normal year. It is welcome, but the Government have been lamentable in providing other supports. I am sure the Committee has heard already that we had to refund over £1.5 billion to our customers in the last 12 months because our flights were cancelled by Government order. There has been no support for that. We have received no support. It took us a while just to deal with that historical backlog of refunds, but there has been no support.

In the meantime, we look around at the Government-owned monopolies, which are overseen by the CAA. The airports, for example, led by Heathrow, have already decided that they are going to levy an additional charge on passengers through Heathrow of almost £10 per departing passenger. That is because they failed in getting the CAA to award them



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a £2 billion increase in their charges. Those regulated monopolies have a system that fails the consumer because it allows them to recoup all of their past losses by charging future customers—the airlines and the consumers.

Air traffic control charges are under NATS. They are going to try to recover all of their losses of the last year from the airlines and our consumers in the next 12 or 24 months. We, the airlines, cannot recover our losses from anybody. I suspect one of your questions will be whether fares will rise. They will not for the next 12 months because we have so much spare capacity. We will be dumping and lowering prices for the next six or 12 months to encourage people to come back and fly again, but we will have much higher costs.

Where I would be most critical of the UK Government is on the one lever they have at their disposal, which is the ridiculous APD tax of £22 per departing passenger. No effort has been made by the Government to roll that back, reduce it temporarily or, as we would call for, abandon it altogether, at least until UK traffic at UK airports recovers to its pre-pandemic levels.

We have to try to start back flying by selling air fares at £9.99 and £19.99, paying UK APD and higher airport charges at monopoly airports in the UK. The airports will be bleating on about their losses, yet they get to recover their losses from the airlines and consumers going forward. Rishi Sunak has done nothing about APD, which is the most egregious tax on air travel because it is regressive, and it hits the poorest people hardest.

There is much more to be done on Government support. The furlough scheme falls way short of what needs to be done. It will be a very challenging and difficult return to normal operation, or pre-Covid operation, levels and profitability.

Q17 Chair: Thank you for the opener, Michael. Tim talked about the impact on the airports in his group. We were keen to get Manchester Airport Group because it represents three airports, long and short haul. Karen, what has been the impact on the other airports? Do you want to comment on Michael's point that there is concern that the airports will be able to claw their losses back from the airlines and airline passengers?

Karen Dee: I will start, if I may, by saying that, as Tim highlighted, the situation for all other airports is exactly the same. We have had the worst year on record. ONS data published last month showed that, as a sector, aviation was the worst hit of the entire economy. We have seen no revenue. Some of the larger airports may have seen some passenger numbers in just about double-digit percentage figures during the summer. Some of the smaller airports did not even reach that. An 80% loss of passengers for some airports is quite an enviable position for some of our smaller members.



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As Tim said, at least two thirds—sometimes more—of an airport’s running and operational costs are fixed. These are critical, safety critical, national infrastructure, and not something that can easily be closed or shut off. Having said that, some airports have done that. Very few have closed altogether, but one or two have. A large number of airports have had to scale back quite considerably, either shutting terminal buildings or restricting operating hours, in order to minimise the kind of losses that they are facing. It is a dire picture across all of our airports.

To touch on the support, as the airline representative said, we are very grateful. We have made good use of the job retention scheme, but when you have two thirds of your fixed costs, that is relatively small. We are keen to see that continue because it allows us to try to persuade some of the highly skilled employees that we want to come back to the industry. We want to be able to retain them as far as we can, but it is not a perfect system. Nevertheless, we are grateful for that.

In terms of other support, we have recently seen what I call the business rates support, and the Government call AGOSS, which offers a relatively small percentage of business rates support for airports. Perhaps I could highlight that our estimate is that the total amount that will be offered, just in this financial year, to airports to support business rates will cover losses for about 13 days. It is a relatively small proportion.

Heathrow is the biggest business rate payer in the UK; it is close to £120 million a year. Other large airports are not at quite that level, but it is a significant cost. When you build in the other operational costs—air traffic control, maintaining safety and security and looking after the runways—they are big costs, and when you have no revenue and virtually no passengers, you simply cannot cover them. That is not a sustainable position for any business.

Michael O’Leary quite rightly pointed out that airports derive their revenues from a number of places. Charges are part of that. Heathrow is one particular airport. We have large airports and small airports. Their models will be slightly different. Some are regulated and others are not, so it is highly commercial.

A lot of my members will have to compete very strongly to attract the airlines that they want to operate from their airports. Landing charges are part of that, but we have to rely on other non-aeronautical revenues as well to try to keep ourselves competitive. What we want is for airlines to continue to base themselves in the UK, and return to fly from our airports, and not find that it is easier for them to make a profit or get a better deal from other European airports or our competitor airports.

It is a highly competitive system. We want to return to being highly competitive. At the moment, we do not have certainty about when we will be able to get back to a position where we can operate again. Crisis financial support is crucial for us. The thing we want is to get up and



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running again because that is the only way we can get the industry to be innovative, profitable and viable, as it was previous to Covid.

Chair: Thank you, Karen. I want to ask about getting up and running again with the taskforce, but before I do that, Karl wishes to come in.

Q18 **Karl McCartney:** Mr O’Leary, you had a long list of complaints that you very eloquently made; I hope you have taken a few deep breaths since. You are not a British-based company. You are in your offices in Dublin.

The British taxpayer, through the Government, has, I would say, been very generous to the airline industry as a whole. I do not think you mentioned the amount that you have received in loans from the British Government, perhaps rightfully so because you obviously employ a number of constituents of ours across the country and serve our constituents by providing flights for them. You mentioned that you were not expecting to operate at a profit, certainly for the next year, but when do you think the British taxpayer might see the return of the £600 million loan you have received as a company?

Michael O’Leary: The £600 million loan is due to be repaid in the next 12 months. We will pay an interest rate of 0.5% on that, and we are very grateful for that loan. Please do not describe it as a gift. It is a loan. We are paying interest on it, and it will be repaid.

To put it into some context, by the way, Ryanair has a UK-based airline called Ryanair UK. We are trying to expand that at the moment but are being blocked from doing so by CAA regulation. We are, if not the largest, the second largest carrier of passengers to and from UK airports. We base more than 100 aircraft permanently at UK airports. We employ directly over 9,000 aviation professionals—pilots, cabin crew, engineers and trainers—across 26 UK airports. While we are headquartered in Ireland, and are clearly proud of some degree of Irish heritage, the UK is by far and away our biggest market, and we are by far and away one of the largest investors in UK aviation, UK airports and UK jobs.

Karl McCartney: Thank you for that.

Q19 **Chair:** To go back to the taskforce, can I ask each of you if you were present at the meeting that the Secretary of State had yesterday that seemed to launch it, which is a welcome development? Secondly, what would you like the taskforce to report with regard to testing, quarantining, social distancing, vaccination certificates and the like, to allow travel to open up again? Were you there, Tim?

Tim Hawkins: I was there. It was a useful call to understand the Government’s approach and their commitment to taking a risk-based approach to the restart of aviation, which is encouraging. It is the approach we want Government to take. It is worth remembering that at the moment it is still only a plan for a plan, as we would describe it. What we have is a commitment to working towards 12 April with a report from the taskforce, ahead of what has been put in as a “no earlier than” date for the restart of travel on 17 May.



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We encourage the Government to look more at the other end of the problem than they have been doing for the last few months. Understandably, they have had to shut down markets and add additional restrictions to international travel. We want the Government to look now at where and when circumstances are likely to arise when it would be safe for people to travel internationally, and to which countries and with what level of restrictions and conditions.

We certainly think that vaccine passports or health credentials will play an important part in that. Testing may still play an important part, but I think travel corridors will be one of the instruments that we want to see brought back and reintroduced to enable travel to start as quickly as possible.

We need a clear plan. We need something that is deliverable quickly so that travel can begin as quickly as possible, to take advantage of the progress that the UK is making in vaccination and driving down the incidence of the virus. There is also the progress that we think other countries will make along that path during the summer. Identifying that path of convergence and the countries where travel will be possible is a really important part of the project.

Q20 Chair: Michael, was Ryanair in attendance? What would you like to see with regard to the areas I touched on?

Michael O'Leary: We were not in attendance because we were not invited. We were invited through the forum of our association, which is Airlines UK. Airlines UK were there and therefore speaking on behalf of the airlines.

We do not think the taskforce is likely to achieve much. What we need to focus on, and I urge the Committee to focus on, is the summer solution. There is no doubt in my mind that by April or May Europe will be flooded with vaccines, as Johnson & Johnson and other vaccines are licensed. What we face is a summer when the vast majority of the adult European population will be vaccinated by the end of June on present plans.

I believe that the travel restrictions on short-haul, intra-European travel should certainly be removed for all passengers who have either been vaccinated or can demonstrate that they have a pre-departure PCR test. I am very wary of the bureaucratic regulations that come out from the Department for Transport. Let me give you an example of just how bonkers some of them are.

We currently operate into and out of the UK under the health protection regulations 2020-21, which require passengers to produce on arrival in the UK a pre-arrival PCR test. We do not have any difficulty with that. However, the legislation requires that the PCR test is in three languages: English, French and Spanish. It excludes Italian and German. The CAA is now taking criminal proceedings against Ryanair and other airlines because we have brought Italian and German passengers from Naples



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and Cologne to the UK with a pre-departure PCR test in Italian and in German, and that falls foul of the Department of Health regulations. We, the airline, are facing criminal proceedings for bringing people into the UK with Italian and German PCR tests, validly done, because they are not in the Spanish, French or English language.

That kind of bonkers, non-joined-up regulation is designed to make bureaucrats at the Department of Health look like they have done something, whereas in reality it is completely nonsensical because it is confined to three languages. Regulation is not the way forward. The continuing success of rolling out vaccines and then acceptance of pre-departure PCR tests for people who have not yet been vaccinated will allow for reasonable free movement of people within the UK and Europe this summer.

Long haul will be a much more difficult and challenging area. Vaccinations will be required, but the difficulty with long haul is how you prevent people who are connecting through airports like Schiphol, Madrid, Charles de Gaulle, and so on.

Q21 **Chair:** What are your views on social distancing requirements, PPE and quarantine? Where do you think things are headed there? As a business, can you fly with social distancing?

Michael O'Leary: No. Social distancing has always been impossible at airports or on board an aircraft. We have flown very successfully since last July requiring all passengers to wear face masks. If you are boarding an aircraft or sitting in an aircraft, you cannot have social distancing. There is no way of establishing 2-metre separation. You cannot operate an aircraft with the 40% load factor that would be necessary to achieve 2-metre separation. You could not force passengers not to go to the toilet, where they would be mixing with each other. Equally at airports, there is no way of keeping apart people who move through airports.

Social distancing is completely ineffective. Mask wearing is at least a pretty effective barrier, but ultimately the way forward to release people for travel will be vaccinating 50% or 60% of your population or high-risk groups here in the UK and across the rest of Europe. PCR testing is another good measure. It is not 100% effective, but the combination of that and face masks is pretty effective.

Hotel quarantines are for the birds. They are completely ineffective because they are unimplementable. No Government have yet explained how you are going to arrest people at an airport arrival gate, take them to a hotel and keep them in their rooms under armed guard. Even if you could, the virus still spreads. We have seen examples of that in Australia and New Zealand, where the virus was imported through hotels where they had 24-hour mandatory quarantines.

That is looking backwards. Quarantines and mask wearing look backwards to the pre-vaccination situation. We are now in a post-



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vaccination situation, certainly in the UK. Europe will be flooded with vaccines this summer. Vaccines are the way out of this, not bizarre and unimplementable regulations.

Q22 Chair: Thank you, Michael. Karen, can I put the same question to you? I think you were there, though you can obviously confirm that. What are your thoughts and what would you like to see the taskforce publish?

Karen Dee: Yes, I was on the call with quite a large number of other industry representatives. As AOA, we have said that we understand that dealing with the pandemic has to be a first priority, and health and safety clearly has to be a priority. That is something we are used to dealing with as an industry. After all, we are a safety critical industry.

What we are keen to see from the taskforce is a very clear risk-based approach. We want to see the Government demonstrate the best measures for making travel as safe as possible. If we are to be able to reopen, things like quarantine are simply not conducive to allowing people to travel. Very few people want to isolate at home, and certainly not in a hotel environment.

We are keen to understand from Government the relative risk between the UK and destination countries. Is it a proportionate risk and what is the best way of minimising risks? The vaccine roll-out offers a lot of hope to the industry. What is clear is that we cannot simply keep aviation closed on the threat of one or two infections, especially as we are an island—let's not forget that. We need to understand what the Government's threshold is and how they want to plan that going forward.

The industry has been very good, not only in the UK but across the globe, at implementing testing regimes and mask wearing. At the moment, we have pre-departure tests for anyone coming into the UK. We had the test-to-release scheme, which we were supportive of as a way of minimising quarantine while the Government required quarantine.

Where it can be shown that the combination of vaccines and testing is a proportionate risk, and is necessary, that could be a feature going forward, but where the risk in destination countries is similar to the infection prevalence in the UK, why would you not allow an air corridor to open up if there is no risk, or even if the risk in that destination country is lower than it is in the UK? That is where we want to get to. We want a safe regime, but we want a regime that allows us to open and continue to support the economy. That is the only way that the wider economy will be able to return.

Chair: Thank you. I am going to hand over to the Members now and go to the next section. We will drill a bit more into Government support for the aviation sector.

Q23 Ruth Cadbury: I would be interested to know more about the witnesses' thoughts on the Government support package, particularly compared with that of other countries, and sector-specific support. Michael O'Leary



mentioned APD. There are calls for support for aviation to be conditional on specific issues, as in other countries, such as how to retain skilled staff in the sector, which will take longer than others to recover, and how to address climate change emissions.

Karen Dee: As I said, at the moment the main area of financial support we have had is the job retention scheme, which is economy-wide. That has had an impact. When the Government introduced their more flexible job retention scheme, it helped a little bit with a lot of our critical staff, who are highly skilled and have to maintain competency and currency. Being able to use that scheme to allow them to continue to do the mandatory training they are required to do has been useful.

With the exception of the recently introduced AGOS scheme, which is capped at £8 million business rates support, we have not seen other sector-specific support. The business rates support was welcome. It is a small amount of money, as I indicated, but nevertheless we need revenue so we will take it, thank you very much. As you can imagine, business rates are a big drain on airports. We are big infrastructure, and therefore very costly, and high contributors to business rates. It is a certain element. It is not the total of our fixed costs. We are very keen to see that support extended in the £8 million cap, and extended into the next financial year while it is clear that we are still closed.

Other countries have different models for their aviation sector. The support offered in the UK of a sector-specific nature is much, much lower than in other countries. Europe and the US are offering to support both airports and airlines, recognising the role that they will continue to play in connecting their economies. We would like to see more. We have not got it yet, and we will continue to campaign. If the media is correct and we see the Chancellor extending the job retention scheme in today's Budget, that will be welcome, but on its own it is not sufficient for us a sector, going forward.

Q24 **Ruth Cadbury:** Thank you. Tim, could you focus on sector-specific issues?

Tim Hawkins: I suppose the sector-specific support we have had is the business rates element that Karen talked about, which has provided support for probably no more than around 5% of our total cost base. We only get half of our business rates rebated to us through that scheme at Manchester and at Stansted.

There is an £8 million cap, which means we can only claim around half of the total rates liability, and it is fair to say that we had to fight tooth and nail to get that. That support was not confirmed until November, well after six months of the impacts that we had been feeling. November is significant because we have been effectively closed since November, and we are going to be closed, as we know, until late May. We have had no further support.



It is very hard to reconcile that with the support the Government have given to other businesses and sectors. Referencing the ONS data that Karen spoke about, the impact on aviation is head and shoulders ahead of many other sectors that have had a full year of support and, it has been widely reported, are expected to get a further extension today in the Budget. It also does not sit easily with the approach that has been taken in Scotland of providing full business rates support to businesses, and the extension that is being provided there for next year.

We are sitting in a position where we have only had half of our business rates rebated to us, despite the level of impact and despite a further five months of lockdown. There has been no further support forthcoming on a sector-specific basis since November. That is a difficult position for Government to sustain, given the impacts that we expect to see, not just over the next few months to the end of May but beyond that, and what will be a long process of recovery for the aviation sector.

Q25 **Ruth Cadbury:** Michael, what do you say?

Michael O'Leary: Thank you, Ruth. I would focus on two issues on what we need in terms of Government support. The most immediate and direct thing is that I would urge the scrapping of APD for a one or two-year period. That is not because the money would go to the airlines—it does not—but it would go immediately to the end consumer. It is the end consumer who pays the UK APD, and it is £12 or £22 per departing passenger. That would give the industry and consumers the biggest shot in the arm you could possibly deliver and get them moving again. Remember that without aviation UK tourism will suffer another dreadful summer.

The second issue I would call for is for the Government, through the Department for Transport and NATS, to sit on the CAA. They will be here after us. The CAA is going to be the subject of claims from NATS, the ATC provider, and from the monopoly airports, particularly Heathrow and Gatwick, looking to recover all of their losses by increasing charges in the next 12 months. Heathrow has already led the way. Heathrow is not satisfied with charging the airlines or each departing passenger between £30 and £40. They are now going to add another £10 per passenger so that they can recover their losses from last year.

The airports and the ATC providers are already using regulatory protection to gouge airlines and consumers before they even get started. To put this into some context, there is a real challenge facing UK aviation, and I include Ryanair, BA and easyJet.

If you look around Europe, last year the French Government rebated all airport taxes, but only to French-registered airlines. That was an egregious breach of competition law. They should have done that for all airlines, but being French they decided that, no, they would only subsidise the French airlines. The Swedes did something similar for SAS up in Sweden. Lufthansa has been provided with almost €12 billion of



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state aid. They just write a big cheque to the Germans. Air France-KLM received €12 billion in state aid. Those were direct subsidies.

We do not want direct subsidies in the UK. We are much more efficient as an airline industry than Lufthansa or Air France-KLM, and we will return with lower air fares. Don't be under any misapprehension: the UK airlines—Ryanair, easyJet and BA—are going to emerge from the Covid crisis in a much weaker financial position compared to the mass of state aid doping that the Germans, the Italians, the Dutch and the French have been receiving for the last two or three years. We can deal with that, but there are enormous challenges.

The two measures on which I would call for action from your Committee, and particularly from the UK Government, are, first, to repeal APD for a one or two-year period until we get back to pre-Covid traffic levels and, secondly, to stop UK NATS and UK airport monopolies from recovering their losses from last year. Heathrow is owned by some of the richest sovereign wealth funds and pension funds in the world—they would not notice £2 billion losses in a year. It is a tiny decimal point on their wealth, yet the first response of Heathrow is to go back and gouge their airline customers and consumers with an additional £10 increase.

Q26 Ruth Cadbury: Michael, you mentioned France, Germany and Spain. I believe that support for their airlines had some conditions, such as retaining skilled staff, which was also used in the US, and addressing climate change emissions. Would you and other airlines support conditional support from the state such as that?

Michael O'Leary: First, you will not need them, Ruth, because I have ordered 210 new aircraft that will reduce fuel consumption by 16%. They will reduce the noise emitted by 40%. We are already investing in huge, much greener and more efficient technologies over the next 10 years.

The environmental measures that were introduced by the French, the Dutch and the Italians are just a fig leaf. They are required to reduce their CO₂ emissions by 10% by about 2050. They were completely meaningless. It was a fig leaf for giving them another €10 billion now and bailing them out. We will all retain our skilled staff—our pilots and cabin crew—as soon as we can get back to work and are back flying people. It was a fig leaf of PR over what was an egregious state bail-out.

We do not want state bail-outs in the UK or in Ireland. We will be much more efficient as a result of not having state bail-outs. As an industry and an airline, we are already committed to being net-zero, carbon-neutral by 2030, in about five years' time, and in Ryanair in two years' time. We are already Europe's greenest and cleanest airline and are proud to be so. We are all striving to hit very ambitious environmental targets. We don't need a dollop of state aid to get there.

Q27 Ruth Cadbury: Thank you. I have one more question. I have picked up muted support for the Government taskforce from witnesses. UK aviation



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is a national ecosystem representing other sectors, and obviously many other companies than are here today. Are you and your sub-sectors prepared to work as part of an industry-wide and UK-wide recovery strategy? If so, how are you doing that?

Karen Dee: I hope I conveyed that we have more than muted support for the taskforce. For some time, we have been calling for industry and Government to work together to find a plan and to get a plan together. We entirely support that.

You are quite right that aviation is an ecosystem. All parts are reliant on each other, not just airports and airlines, but the much wider supply chain involved. We are absolutely committed, because without all of those particular elements, the sector itself will not recover efficiently. We are completely committed to that.

Q28 **Ruth Cadbury:** Thank you. Tim?

Tim Hawkins: Yes, very much so. Karen is right; we have been calling on Government for this kind of taskforce and this kind of road map for some time. It had been concerning that Ministers were repeatedly talking about it being too soon to plan for the rest of the year. We accepted that the timing of the delivery of the plan would need to wait, but we needed to work on the different steps and then deliver those when circumstances allowed.

We have a strong track record of working with Government. Last year, we did some very good work together on the health protocols to support the restart back in the summer. We worked in the autumn on the testing strategy that was ultimately delivered in November. We also worked very productively on the travel corridor proposals that were used last year. We have all of those elements to come back to and use, if they are the appropriate tools for recovery and restart this year.

It is worth emphasising that aviation is in a uniquely uncertain position. It was the only sector in the road map that needed a taskforce like that before we could be clear on what the restart plan is and whether we can hit the dates that have been set out for May. There is a lot of work to do. There is a lot of implementation to do once we have the strategy, and we are fully committed to driving that forward. It is actually the only way that we are going to have a hope of delivering a summer season this year. Without it, that prospect will diminish.

Q29 **Ruth Cadbury:** Thank you. Lastly, Michael?

Michael O'Leary: We would support any Government initiatives that will get travel back working again, but, as you all know in the House of Commons, if you want to slow something down you set up a taskforce or a high-level study group or, God help us, a commission of investigation. Then you kick it into the long grass.



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The Department for Transport exists to make decisions on transport, not to set up taskforces. The real challenge is timing. In a month's time, we will be in the Easter holidays. Families all over the UK are looking at the extraordinary success of the vaccine programme, and for this I want to compliment the Johnson Government.

In the UK, everybody under the age of 80 will be vaccinated by the end of May. There is, therefore, no reason to have travel restrictions, PCR testing or anything else on those people. We need to give them the clarity to allow them to book their summer holidays in Spain or Portugal, and for the UK tourism industry to welcome Italian, Spanish and Portuguese visitors here this summer. We do not need a taskforce; we just need action.

The two calls for action are to scrap APD, which will flow directly to those visitors and UK consumers, and prevent your airports and ATC from gouging those visitors until we at least recover to pre-Covid traffic levels.

Q30 Simon Jupp: Good morning to the panel. Before I begin, I declare for the record that members of my family are in a business in the travel industry, although I have no financial interest or direct involvement with it.

Tim and Karen, how near are some regional airports to closing, and what would it mean for nearby cities and towns if they did?

Tim Hawkins: Undoubtedly, regional airports are under immense pressure, with either very few or no passengers, and with the fixed costs that they have to carry through the period. They would have started with the reserves that they had, and will be burning through those reserves month by month, continuing to pay wages where they are not covered by furlough and continuing to pay their fixed costs. They will be under increasing pressure. Each will have their own funding streams and liquidity.

We have taken the decision at MAG to restrict operating hours for passenger services at Manchester and Stansted. We have done that to try to balance a continued service to passengers, which we know is still extremely valued. Aviation still has a very important role to play, both in enabling people to travel and in connecting freight. We are operating on a more restricted basis, but trying to optimise that and be as efficient as possible.

At East Midlands, we have seen an increase in freight activity. Dedicated freight operators there have seen an uptick in business that has been encouraging, but we do not make very much money at all out of freight activity. The passenger operation at East Midlands is effectively closed at the moment. I think that picture is replicated up and down the country, but different airports will be in different positions as far as their liquidity is concerned.

Q31 Simon Jupp: Thank you, Tim. The same question to you, Karen.



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Karen Dee: I absolutely endorse what Tim said. It depends very much on the type of airport, its business model and where they are in the country. We have seen some—for example, Newquay airport—taking the decision to close completely. As Tim hinted, others are restricting hours and scaling back operations.

It is not an easy decision to close an airport completely, not least because there is quite a long and complex process to reopen. Businesses and shareholders have to take a decision, and that is where the uncertainty causes a problem. How long can we stay on? Is it better for us to close or restrict? Do we continue to remain open? Let's not forget that a lot of them are staying open for other kinds of services. They may not have passenger flights, but they might be operating an air ambulance, supporting the Post Office or oil and gas workers. There are lots of other non-revenue generating activities that rely on airports. By staying open, they continue to provide those services, which are much needed, almost on a public service basis.

That is not sustainable for a long period. You cannot expect that even from large shareholders. The business models for a lot of regional airports are different. A lot of them have public sector ownership, if not total, partial. That will not be sustainable in the long term. It then has an impact on communities. It is like looking into a crystal ball to say how close they are. It really depends on their activities, their investments and the attitudes of their banks, creditors and shareholders.

It is very difficult to predict where each airport is, but every single airport has high fixed costs and has had a year of no revenue. We do not yet have a date for opening. I remind the Committee that 17 May is a "not before" date. There will be no international travel before 17 May. We hope it will be very soon after that, but we are trying to plan when we can be operational again, when we can start flying and when we can keep the airlines active, because that is the way we begin to recoup some of the losses, or at least get functional again. Hopefully, we will receive some financial support to keep us going until that point.

Q32 **Simon Jupp:** We will touch on that in a moment, if you don't mind, Karen. I will widen my next question to the entire panel. What would be the impact on both small and large airlines if regional airports closed? Obviously, they are in far-flung corners of the United Kingdom and serve an awful lot of different communities. I will start with you, Michael, if that's okay.

Michael O'Leary: I think there is almost no risk of small regional airports closing, largely because if you take some of the examples, like Newquay or Prestwick, local government or local councils can keep airports operating or open, and sustain them for a period of a year or two. We are going to recover from Covid-19. Vaccines are on their way. We can see our way out of this. The question is when.



The real and much greater challenge for regional airports, particularly if you take your Devon constituency, Simon, is the loss of Flybe. Flybe carried 8 million passengers a year to many regional airports across the UK. The challenge for us as an industry is how we replace that lost seat capacity in the regions. Ryanair operates to almost 20 regional airports in the UK. We would like to go back in and grow our business at those regional airports. Again, without harping on it, the biggest challenge to growing our service at Prestwick, at Southampton or at Bournemouth is the egregious APD tax, which is £14 or £22 per departing passenger. That is going to be the biggest challenge.

There is very little risk of regional airports closing. We know that we are going to recover from Covid at some stage later this year or early next year. The question is how we replace the huge loss of seat capacity that has arisen as a result of Covid-19.

Q33 **Simon Jupp:** I will give you an A-star for message discipline, Michael. I have the same question to Tim.

Tim Hawkins: I will answer it in a slightly different way, around the impact on the regions of the loss of connectivity. I would talk about the fact that during this period we have effectively lost all of the international and global connections that were established at our airports and other airports over the last 10, 20 or 30 years. That is a process of building, brick by brick, an international network of connections. We pride ourselves on having delivered some important connections at Manchester to global trading points such as Beijing, Singapore and Hong Kong. We have very strong connections through the middle east to the rest of the world. We have done the same at Stansted, and we aim to do more. Those have all gone for the time being, or they are grounded or significantly restricted.

The process of rebuilding will be an international competition. It will be an international race between airports to get those services to come back. I do not think we can assume that it will be a process like the tide rising again once the virus has gone away. Businesses and airlines will make decisions about where connections get re-established and when. As a business, we have to be incredibly competitive in that process against other airports, not just in the UK but across Europe and globally, to get airlines to come back and re-establish services.

We offer a really competitive price. We offer a competitive and commercial approach to those services. For the majority of passengers, we have direct, commercial arrangements with airlines rather than charging them tariffs. We can be flexible and commercial and offer incentives, which is what we will do, but I fully agree with Michael that trying to do that with an APD tax—particularly for long haul that is in the hundreds of pounds—is completely incompatible with trying to get that traffic and those routes back as quickly as the regions need them. They play such an important role in the levelling-up agenda and in driving regional growth.



Q34 **Simon Jupp:** The same question to you, Karen.

Karen Dee: I do not want to repeat things, because I agree with both of the other witnesses on those measures. Connectivity is key for us. We need to remember that airlines have to be able to put on routes in a commercial sense. They need to be able to make a profit or at least understand that there will be demand for the services in order to attract them to airports.

If the aviation sector as a whole is smaller, that will be more difficult, as Michael O'Leary said. We need to be able to address that, and be nimble and continue to protect connectivity. It is about domestic connectivity as well as international connectivity. Regional airports play an important role in ensuring that people from the south-west can fly to Scotland or to London. All of that is important.

Let's not forget about the jobs, the skills and the economic activity that aviation plays into. Airports in their local communities and local environments are important job creators and job providers. I saw a piece of research—I forget who it was—demonstrating that job losses through Covid around airports are at a much higher proportion than in many other parts of the UK. That reflects the fact that, when aviation is not running, the communities and businesses that rely on us operating are suffering too. The ecosystem that we have as aviation is important to drive the UK economy.

Q35 **Simon Jupp:** I am conscious of time, but I have a very quick question for you all. You have all touched on the level of support for the aviation industry. The Government set up a specific scheme to protect regional airports via business rates relief, after a campaign by the industry and MPs. The Budget is later today. Do you expect, and would you want, that scheme to be extended further?

Michael O'Leary: I do not think it would make much difference to the industry, Simon. I do not want to harp on it again, but what he really should be doing is scrapping APD.

Karen Dee: Yes, we would like to see it at least continued, but it is not enough in its current form. We need the cap removed. We need the system to be expanded for that to make a contribution. Yes, of course we will take it, but we would like to see further support.

Tim Hawkins: As a business, we are still burning through £30 million a month of our cash position, so we want more Government support. We think it has to be part of the solution over the course of the next year. Government support has to match the timeline of recovery for the industry.

Some of the reporting we have seen today talks about this being the final stage of support or of giving businesses support, particularly on the furlough up to September, to give businesses time to get back on their feet. Aviation will take longer. It will start later and take longer to



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recover. We would encourage the Government to extend that support, so that it matches the timeline of recovery for the industry.

Chair: Thank you. Finally, on this section of Government support, I bring in Gavin Newlands from Scotland.

Q36 **Gavin Newlands:** This is a very apt issue for us. I think about £4 billion is the value of domestic aviation connectivity to Scotland, so it is hugely important for us. It has already been touched on, but that is one reason why the Scottish Government introduced in April last year, and have now extended for another year, full business rates relief without a cap for airports, ground handlers and Loganair. I hope we see something similar later on.

It is clear that this has hit small regional and international airports. Heathrow is very much an outlier. We have touched on how we make them viable in terms of domestic connectivity, but in the meantime—perhaps over the next year, 18 months or two years perhaps—is it worth looking at more PSO routes? Many of us have outlying communities that do not have PSO routes at the moment, particularly in Scotland. That is obvious with our geography. What role can PSO routes play?

Karen Dee: You may recall that last year, before Covid hit, and in the light of Flybe collapsing, the Government had identified that they were going to undertake a connectivity review. Certainly, those were the types of measures that we felt the Government should be looking at from a policy perspective to see what could be done to encourage additional connectivity. In early days—Michael will know more about this than me—when airline routes are marginal in cost, we see a role for Government to support them for a limited period to see whether or not they can become commercially viable, where there is a real reason for doing so.

You can question whether or not Brexit makes that easier, but as far as AOA is concerned those types of measures are among a basket of measures; they are not the only thing. APD and other more policy-based measures can help. We are certainly keen to see the connectivity review get up and running properly, reach some conclusions and get some of those policy measures in place.

Q37 **Gavin Newlands:** As am I. Tim?

Tim Hawkins: Manchester, Stansted and East Midlands all play an important role in providing connectivity across the UK. Manchester in particular has a strong domestic network of routes. One of the impacts we might have lost sight of is the loss of that connectivity in a carrier like Flybe immediately before Covid. That is an issue we are working on and focusing on, and need to return to as we go through the recovery.

PSOs are part of the toolkit. I am not sure that they are the instant response that we need to support the recovery of domestic connectivity. It will be a time-consuming and lengthy process to get those routes back up and running. If we can get Government to tackle the double APD issue



on domestic services, it will go a long way to supporting the profitability of those routes. That was certainly a part of the challenge that Flybe faced in its operation. Even if we can go further with the APD issue, as we have been talking about this morning, its double element makes it very difficult for domestic carriers to make a reasonable return on their routes and support the kind of network we have talked about.

Q38 Gavin Newlands: Michael, you have been very bullish about the recovery of the sector because of the vaccine situation, although I would introduce one note of caution.

Ryanair is to be commended because of the agreement you have reached with Unite the union with regard to temporary agreements without having to lay off staff. Other airlines could and should have taken note. To be pessimistic, if this virus has variants that can get around vaccination, and it all comes crashing down again, and the sector has to shut down again, would loans cut it? Would other airlines, airports and ground handlers require grants to continue operations without huge job losses in the sector? If you could address the PSO point as well, that would be great.

Michael O'Leary: Thanks, Gavin. I will try to keep the two separate. Generally, PSOs are not the way forward. What the PSO requires is to give an airline a monopoly; you generally then start funding very high air fares and they deliver very little in passenger numbers. Passenger numbers and the recovery of passenger volumes will be critical to the recovery of the aviation industry and tourism.

What Scottish airports need, from Edinburgh to Paisley to Prestwick, which I assume is either in or close to your constituency, is the restart of large domestic routes from, for example, Prestwick to Belfast, Prestwick to London, Prestwick to Manchester and others, or into Europe. That is where the volumes will come from.

Prestwick cannot do any more to lower its charges. Its charges are already among the lowest in the UK. About 10 years ago, we were carrying nearly 2 million passengers a year in and out of Prestwick from London, Belfast, Londonderry and, I think, Liverpool and Manchester. That business has been devastated by successive rises in APD, so that every passenger travelling on those routes, who would only travel if it was a very low-cost service, starts off paying about £22 or £24 because they pay APD both ways. It makes no sense, so the answer is that PSOs are not the way forward. Working with the industry and airports, even for a short period of time, to reduce or scrap APD is better, but I risk irritating Simon by constantly referring back to it.

Sorry, I have forgotten the second part of the question.

Q39 Gavin Newlands: If the virus was to come back, would loans cut it?

Michael O'Leary: I am not a medical expert—none of us is—but all of the evidence to date suggests that the vaccines in Israel and the UK have been incredibly efficacious and successful, even on the first dose, in



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reducing hospitalisations and serious illness by between 80% and 90%. Are we guaranteed that we will be immune from variants? No, we are not. The first variant originated in the UK, in Kent, and the vaccines appear to be very efficacious, whether it is the Brazilian, the UK or the South African variant.

There will continue to be more variants, but history suggests that with a successful vaccine roll-out, and we will be awash with vaccines by May or June this year, we do not need to worry further. Will we stop the spread of Covid? No, but there is a high degree of probability at this stage that we will eliminate serious illnesses, hospitalisations and deaths from Covid, particularly the elderly and the obese, who are the high-risk groups. There are no guarantees, but I bring you back to the experience of last summer, Gavin. When we got to the summer period without any vaccines at all, there was a huge collapse in hospitalisations, serious illnesses and deaths during the months of May, June, July, August and September when people were generally travelling on holiday.

I think that the combination of vaccines and the fact that it is a respiratory disease that seems to limit its spread during the summer months gives us a high degree of confidence, while still keeping certain measures in place. We would still require people to wear face masks on board the aircraft, even if they had been vaccinated.

I think that with a reasonable degree of caution the Government and citizenry can feel reasonably safe about arranging their holidays, whether in Scotland, Spain or Portugal, this summer. On most plans that I have seen at the moment, most of the rest of the world will be vaccinated by September or October, or there will be vaccines on demand by then. The vaccine completely changes the analysis, although I fully accept your point that it does not give us 100% security.

Q40 **Gavin Newlands:** Thanks, Michael. I have one very brief last question for Karen and Tim. It is relatively small beer compared to the big picture, but the ending of VAT-free shopping at airports is not a useful thing at this point in time. It is not just the revenue it brings in to support the retail jobs themselves, but it can be used to cross-subsidise other jobs and rates and fees at the airport, to try to attract routes and so on. How important would it be to see the return of that and/or arrivals duty free?

Tim Hawkins: It would be a good shot in the arm as support. There is also the aspect of the attractiveness of the UK as a destination, not just the profitability of our operation. A change in the tax status will certainly have an impact on our business and the returns that we make from our commercial activities. Just as importantly, it will change the attractiveness of the UK to inbound visitors. We know that certain types of visitors from certain countries spend very generously in the UK high street, so there are two sides. It would be an important step to help with economic recovery, not just for airports but for the high street as well.



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Karen Dee: I completely agree. It is one of those things that we look at and think it was very much an own goal. The Government did not need to do it, and it was a shock when they did. It was not what they had indicated.

That aside, there is a misconception that it is just about Heathrow or London. It absolutely is not. Non-aeronautical revenues are important to all airports, particularly regional airports, in allowing them to offer competitive rates to attract airlines and keep airlines operating from them. There is a misunderstanding on duty free that people will still make the purchases anyway. They will not, and we know that the rest of Europe has expanded its duty free and will take advantage of that, so UK passengers will simply delay their purchases until they get to their destination country and make those purchases there.

It would be a help. It is a relatively small element, but there was no reason to do it, and returning non-aeronautical will be really important to help us keep landing charges down and attract airlines.

Gavin Newlands: Thank you.

Chair: We are 20 minutes from landing, and, as we approach our descent, can I ask you to keep the questions and the answers as succinct as you can? We want to drill into a bit more detail on the evidence you have given with regard to border regulations and restrictions. We will head to Buckinghamshire with Greg Smith.

Q41 **Greg Smith:** Good morning to all the witnesses. As you just said, Chair, some of the answers on what all our witnesses would like to see on the border regulations came out in some earlier questioning. I would like to take the topic from a slightly different angle, around what customers say would make them feel safe in order to get on an aircraft to go on holiday or on a business trip, whatever it might be.

I presume that there has been some market research or detailed analysis of what your customers are saying would get them back on an aircraft. Mr O'Leary, we have heard very clearly your views on what border controls should be going forward. What are your customers telling you would make them happy to get back on an aircraft again?

Michael O'Leary: I presume that we are talking in the context of Covid border controls, as opposed to anything else.

Q42 **Greg Smith:** Yes. Let me be very clear: I mean Covid controls and not anything else.

Michael O'Leary: The feedback is pretty conclusive from our customers. First, they want low prices, and they will certainly get those for the first six or nine months of recovery because our forward bookings are so much lower than they have historically been.

Secondly, they want to feel a welcome, that they are not unwelcome. That is a combination of getting rid of hotel quarantines, which are



completely unpoliceable and ineffective anyway. Bookings, both outbound from the UK to Europe and inbound this summer, would recover dramatically with the removal of hotel quarantines, particularly for people who have either been vaccinated or have a PCR test.

People who are going on their summer holidays with their families will be willing to take a PCR test or have a vaccine. We are not a great supporter of the principle of a vaccine passport, in the sense that you have some internationally accredited document that is only issued by Governments, because it will not come out quickly enough for this summer. We are launching a tool on our own app for a vaccine certificate. You can either upload your vaccination certificate or your negative PCR test. Then you should be allowed to move freely.

If UK tourism is to recover this summer, the message you need to send is that Europeans are welcome to visit the UK as long as they have either a pre-arrival PCR or a vaccine. I do not think that you can widen it further than that, but as long as you remove the fear of hotel quarantines, and the fear of being arrested or detained if you do not stay in a hotel for 14 days, people will come back quickly. There is huge suppressed demand from people who have relatives in the UK, and are visiting family members and so on. We need to get short-haul travel back and moving again pretty quickly.

Q43 **Greg Smith:** I appreciate that answer. Personally, I am broadly in line with it. What I am trying to get at, though, is what proportion of your existing customer base that were flying with you pre-pandemic you hope will fly with you again?

From the market research you have done, what proportion, for example, of passengers are totally fine and happy to have a PCR test with 72 hours to go? What proportion are saying, "Do you know what, we really don't want to do that, so we're not going to fly with you if we have to do that"? Where do the numbers sit in your analysis?

Michael O'Leary: It is very difficult to have that analysis. Our sense of it from our communication with customers is that if people are travelling for a specific reason like a family holiday for two weeks, a funeral, a wedding or an event, visiting a friend or an important business engagement, where they know they can travel as long as they have a pre-departure PCR, that travel will return pretty quickly, if not instantly, and certainly this summer. Where the pre-departure PCR or the vaccination puts people off is when things are instantaneous: "I'll go to London for the weekend." "There's a match," It is the very short-notice, instantaneous bookings, but that probably accounts for less than 20% of our bookings.

It is anybody going on a two-week family holiday, anybody with an important business meeting, anybody with an important family event or an ill member of the family. Lots of people who live or work in the UK are European. They are Portuguese nurses or doctors, or Spanish lawyers. They will all be vaccinated. I think the cost of PCR testing will collapse



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this summer because of the widespread success of vaccinations. They will travel, once they are given the signal by the UK authorities that the hotel quarantines and the risk of arrest has been removed.

Q44 **Greg Smith:** Thank you. Karen, have you done customer research on this? Can you offer a view from your perspective?

Karen Dee: We have not done customer research ourselves. The Government have done some consumer polling. We can tell from the figures, and a lot of the airlines report in the media, that there is demand. When people know that they can have the opportunity to travel, having been stuck for 12 months, as Simon Calder said earlier, a lot of them will be keen to have holidays.

One of the anecdotes that we can draw on is that, at the point at which the hotel quarantine measure was introduced, we saw that, for airports that have very few flights anyway at the moment, there was an uptick in people travelling back just before the hotel quarantine measure was implemented. That was because generally people do not want to be forced to stay somewhere for an extended period of time, even when it is an essential journey. Those were UK residents coming back, so it was largely not a discretionary journey. They will try to avoid that. Quarantine measures have a very significant dampening effect on demand.

With testing, it is less so. We detect a willingness, because across the economy and in various sectors people are getting more used to it. What passengers do not want is layer upon layer of lots of different restrictions that increase cost and hassle, and reduce their passenger experience.

I would add to that the experience at the border itself. One of the things we see, and that the media is reporting, is that the length of time border officials take to check people back through, at Heathrow in particular, is self-fulfilling; it creates queues and delays. Those sorts of things do not help passengers feel reassured. We can do lots at the airport to make things safe, but 2-metre distancing in a border hall is just impossible. There are things that the industry and Government need to do to help support us with that. There is demand for a good experience, and we can provide safe travel.

Q45 **Greg Smith:** Tim, do you have anything to add briefly? My colleague Ben Bradshaw wants to come in on these questions as well.

Tim Hawkins: I will be very quick. I do not think restart is possible with the level of restrictions and controls that we have in place. I do not think it is possible or feasible at any scale with the kinds of measures that we have had in place since December. If you remember the test-to-release scheme five-day quarantine, we were clear at that stage that it had to be a first step in the process, and that we had to get the number down if quarantine was going to be a thing in the way that we control travel.

I do not want to see us go backwards necessarily through all the layers that we have in place. It needs a more fundamental rethink about the



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risks that relate to the summer of 2021, which are quite different from playing backwards through the last few months, or the last 12 months, of the controls we have had. We need a fundamental review of how we control and provide the right conditions for safe travel.

A particular thing that was disruptive last year was the rapid and unpredictable changes to the travel corridors, which I know affected many people. I am sure that you know people who were affected, and either cancelled or had to cut short trips and then face quarantine on their return.

The one thing that uncertainty did was to unsettle people in terms of booking. If we are to have travel corridors back as part of the package, we need a more stable and predictable framework for people to travel out and travel back, knowing the conditions that will apply to them. We do not think that having 36 or 48 hours' notice of a change made a big contribution to managing public health, but it caused an enormous amount of disruption and uncertainty for consumers.

Greg Smith: Thank you. Mindful of the time, I will pass over to Ben. I appreciate all the answers.

Q46 **Mr Bradshaw:** I have a quick question for all three of you, which you do not have to answer if you do not have an answer. Were any of you provided with evidence by the Government when they introduced the hotel quarantine scheme? If you were not, don't worry, because I have not been able to get it and I have been waiting for six weeks.

Secondly, Mr O'Leary, I don't know whether you heard Simon Calder at the beginning of this session. He was very optimistic about the summer. He said it would be a mixture of vaccine certificates plus quick testing at the airport on departure. Is that the same vision that you expect? You said something very interesting about the cost of PCR tests.

I had several PCR tests last year when I was travelling within Europe. They are very expensive. For a family of four, if you have to have four before leaving the country and four before coming back, and they won't accept them in German because they do not understand that "negativ" means negative, or that in Italian "negativo" means negative, why are you so confident that the cost will come down? What sort of tests do you envisage being part of our liberation from these draconian restrictions?

Michael O'Leary: First, we did not get any medical evidence to support hotel quarantines. Worse still, when we asked some basic questions as to how the quarantine would be imposed, like how to separate the passengers at the airport arrival door, how to take them to the baggage hall, how to make sure they did not escape into the London underground, and how to keep them in the room in the hotel if they wanted to smoke. None of those questions was answered.

The hotel quarantine has been a PR stunt. It is shambolic and ineffective. It will play no role in keeping out the Covid virus, in exactly the same



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way as the previous quarantining at your home, only after you had travelled there on London underground, buses, trains or tubes, was completely ineffective. A lot of it is just PR stunting, which we have been very critical of. The vaccines are the way forward.

I do not share Simon Calder's confidence that you will show up and do a pre-departure PCR test. It typically takes about three hours to get the results, and no passenger is going to show up that early. Nor will they book, because they will not have certainty that they will be able to pass the PCR test. They will show up at the airport; one or other member of the family might fail, and the next thing is that the whole family has to be offloaded. That is not going to work.

Bear in mind that the entire adult population of the UK will be largely vaccinated by the end of May. We do not believe that any European country or the UK will require that children under 18 are vaccinated because they are not a threat. They may be carriers, but there seems to be a much better performance of younger people; they are more resilient. If all the high-risk people and adults are vaccinated, frankly there is no reason to test children anyway.

Once vaccinations have become widespread and you can, essentially, get vaccines on demand, the producers or providers of the PCR tests will see business disappearing and prices will collapse. I have had about six PCR tests myself. The average cost is about €100. I think that will come down to €10 or €20 by the time we get towards the end of this. As long as there is a defined travel reason, and it is not spontaneous travel, if they do not have a vaccine and they are required to have a pre-departure PCR test, I think significant numbers of adults will commit to that and pay that expense, so that they can go on a summer holiday or visit friends and family.

Mr Bradshaw: Thank you.

Chair: Let's move on to a different subject in the last seven minutes. We may be able to sneak in air modernisation as well, but let's look at some of the issues facing consumers.

Q47 **Lilian Greenwood:** This is primarily a question for Mr O'Leary. Last month *Which?* claimed that approximately 2.3 million people in the UK have not received their money back for flights they could not take during the pandemic. How many of them are Ryanair customers?

Michael O'Leary: Almost none. Most *Which?* surveys are usually rubbish. *Which?* specialises in producing surveys of about six people, none of whom is identifiable and almost none of whom are Ryanair customers. I would totally disregard almost anything *Which?* says.

I freely put my hand up and admit that we have had a huge challenge in processing refunds over the last 12 months. To give you the reason why, in a normal month we generally process something of the order of 5,000 to 10,000 refunds. Our offices were closed for Covid reasons through



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March, April, May and June last year. We were not even allowed to go to the offices, so when we showed up back at the offices, we were suddenly dealing with about 300 million flight refunds. There was a huge backlog, and all of the airlines had to work their way through that backlog. We have apologised and put our hands up. There is nothing we can do when we have such a seismic, unprecedented volume of refunds.

In Ryanair, everybody got a voucher straightaway so they at least knew they had not lost their money. If they did not want the travel voucher for future use, they could reclaim the refunds by applying directly to us. All of those refunds were processed. Anybody who requested a refund has had it processed. There is no backlog whatsoever.

We have a tiny number of outstanding refunds, mainly where bookings have been made not by the end consumer but by intermediary OTA screen scraper scammers, who generally specialise in overcharging people for booking a Ryanair ticket. The challenge we have with those people is that they give us fake customer contact details, a fake customer email and a fake customer address. We send out the funds to the customer, but it goes into the travel agent's or screen scraper's fake email address and nothing happens, so the passenger thinks that they do not have a voucher or a refund.

Q48 Lilian Greenwood: Can you quantify how many of your customers there are who booked via a screen scraper?

Michael O'Leary: At this point in time, we think there are less than, maybe, 10,000 or 20,000 of them. That sounds like a big number, but in the context of 150 million passengers it is tiny. We have set up a separate refund application process for the victims of screen scrapers. By the way, a lot of the reason why the screen scrapers are blocking the refunds is that they do not want us to refund the passenger directly, because the passenger would then realise that they had been scammed by the screen scraper and the OTA agent. We have been calling on the CAA to take action on this for years, but as usual nothing has been done by the CAA. We have a tiny number of those, and we have created a direct application process for those customers, who can apply directly to us.

We have thousands of examples of customers who, when we refund them the airfare that they paid, come back to us and say, "You have not refunded me. I got charged something else." We have had to reply to them saying, "Please contact the screen scraper, On the Beach, Lastminute.com or the scammers."

Q49 Lilian Greenwood: Notwithstanding all the above, the CAA criticised Ryanair for taking too long to issue refunds. *Which?* says they have evidence of Ryanair overcharging for rebooking. The Competition and Markets Authority is now investigating the airline industry. Are you treating your passengers fairly?



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Michael O'Leary: Absolutely. We created 150 million passengers a year by offering the lowest air fares. We asked *Which?* to send us the evidence and the specific cases they had of passengers not receiving refunds or being overcharged. We replied directly to them that all of the passengers who had requested refunds had received them. I think they had about three passengers who had not yet requested a refund because they were sitting on their vouchers. There were about three passengers who had booked through an OTA who had been scammed and overcharged. We look forward to co-operating fully with the CMA.

All of us in the industry fully accept that passenger refunds are normally due to take place within a seven-day period. It simply was not possible in this unprecedented event, when we were dealing with three months' worth of flight cancellations, which has never happened before, that we could process those refunds quickly.

I know there is a view, "Why don't you just press a button and return the money?" In a lot of cases, the money goes to middlemen who do not even pass it on to the underlying consumer. The airline has a legal liability to refund the money directly to our customer and eliminate the middleman. The CAA requires it, as do most of the consumer agencies across the UK.

Q50 **Lilian Greenwood:** Isn't it the case, though, that you have chosen not to refund customers who would be breaking the law by taking the flight that they have booked? I appreciate you said earlier that some flights are still continuing to take place, but obviously if someone has booked a flight for a holiday, and holidays are banned, they cannot take that flight. I know there is not a legal compulsion on you to refund the money in those circumstances, but why have you chosen not to do it in order to be a decent company?

Michael O'Leary: We are a decent company, Lilian. In all those cases, all passengers booking with Ryanair accept that the fare is non-refundable. That is the deal. You get a very low air fare, but it is non-refundable. If your flight is operating, the seat that operates empty in your absence will lose money. During the Covid pandemic, over the last 12 or 15 months, we have allowed every customer whose flight is operating, and therefore is not entitled to a refund, to change their booking to a later date with no change fee. They can change the booking and therefore avoid any loss whatsoever, but we are not processing refunds of non-refundable flights if the flight has operated. We will allow you to change the booking free of charge.

Q51 **Lilian Greenwood:** You can change the booking, but you might end up paying a lot more for your flight. Isn't it the case that sometimes people are being charged more for the flight when they change their booking than they would be if they were booking a new flight direct?

Michael O'Leary: Absolutely not. Again, this is more false rubbish out of the likes of *Which?*. If you are changing your flight for a booking next



year, our flights are empty and our seats are considerably cheaper than they would have been previously.

There were some cases when people had made bookings last summer, say to the Canaries, and tried to use the free-of-charge facility to book to travel to the Canaries at Christmas. Yes, they had to pay a higher air fare, because travelling to the Canaries at Christmas is expensive. Most people would book those seats 12 months in advance. There is a tiny minority of people who have had to pay a higher air fare. Typically, it is only those who booked at Christmas. If you are cancelling your air fare today and you want to book for June, July, August or September, Ryanair has seats at £19, £25 and £29. You will be changing your flight at no cost whatsoever to you.

Q52 Lilian Greenwood: And you will be paying exactly the same if you change as you would be if you were a brand-new customer walking up and buying the same flight.

Michael O'Leary: Absolutely. We have no way of changing it. Everybody books from Ryanair's seat inventory based on whenever air fares are available. All of our air fares are sold on a first come, first served basis to individual consumers. The only way you will pay a higher air fare is if you are booking through one of those scam artist OTAs or overcharging screen scrapers.

Q53 Lilian Greenwood: I have a final question. You explained why it can be difficult to process refunds quickly, and in line with EU regulation 261 to refund cash within seven days. Have you ever considered, or would you ever consider, ring-fencing customers' money, for example in a trust account, so that it is readily available for refunds in the event of a crisis? That might be a health pandemic or examples such as we had with volcanic ash.

Michael O'Leary: First, you are misquoting me. I said we had a once-off difficulty because of the historical and unprecedented backlog of refunds. On an ongoing basis, we have no difficulty in Ryanair with providing people with their EU 261 refunds within the required seven days. We typically process between 5,000 and 10,000 of those a month. It is easy; we are geared up to do it.

Would I put them into a trust account? No, I would not. Where would I have a trust account? The most trusted account that our customers have is Ryanair's own balance sheet, which is the strongest of any—

Lilian Greenwood: Chair, I think we have lost Mr O'Leary.

Chair: Yes, we lost Michael on the most trusted of all, so he got that part in.

Lilian Greenwood: I think I had covered all the questions that I wanted to ask, so I will hand back to you.

Chair: That is a shame. Is there anything the broadcasting team can do?



Michael O'Leary: —directly back to the consumer and not through the overcharging intermediaries, which are permitted to continue their anti-consumer activities by the CAA.

Lillian Greenwood: We lost you there for a moment, but people will have heard the free advertising on behalf of Ryanair.

Michael O'Leary: I generally make more sense when you lose me.

Chair: We absolutely got the gist of your answer there, Michael, so thank you. Time has defeated us. We were going to ask about airspace modernisation, but perhaps we can ask you about that when we get to more normal times, which I very much hope we do.

I thank all three of you, Michael O'Leary, Karen Dee and Tim Hawkins. I wish you and all of your teams well at this challenging time. We will be looking to put some of the points you have raised to the Minister and the Civil Aviation Authority, and no doubt will be putting pen to paper on some of those points as well. For the time being, thank you again for your time and we wish you well.

Examination of witnesses

Witnesses: Robert Courts MP and Richard Moriarty.

Q54 **Chair:** I will ask our final panel to introduce themselves. We have a Government Minister and the Civil Aviation Authority.

Robert Courts: Good morning. I am Robert Courts, the Aviation and Maritime Minister.

Richard Moriarty: Good morning. I am Richard Moriarty, chief executive of the Civil Aviation Authority.

Q55 **Chair:** Minister Courts, Mr Moriarty, thank you very much for being with us. Hopefully, you have heard some of the evidence that came before you. On the basis that you did—but even if you didn't, perhaps you will be able to fill us in—I want to ask you about some of the views that the witnesses held on the taskforce, and the concern that we do not need a taskforce, we just to need to crack on with a series of rules that the Government can put in place. How do you respond to that?

Robert Courts: Thank you very much, Chair. Yes, I welcome the chance to respond to that. To start off with, it is worth considering what the global travel taskforce is. It brings together not just Government Ministers and various different parts of Government, but crucially the sector as well. It is absolutely critical, as we look to take advantage of the great vaccine roll-out that we have and as we ease restrictions, that it is done in a sustainable and robust way. Bluntly, it has to be done in a way that works. In order to do that, we have to listen to what the sector has to say.



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We had the earlier global travel taskforce, as you rightly say, but a number of things have changed since then. We have had another national lockdown. We have had the variants. We have had the great progress that has been made on vaccines. It is absolutely critical that at this stage we take stock, look at the changed environment that we have and, crucially, work closely with all of our sector colleagues we have been hearing from today, and many others as well, to make sure that we make progress in a robust and sustainable way.

On the previous global travel taskforce, I would absolutely reject any suggestion that this is some way of pushing things into the long grass or is a talking shop. It is not. It is about making this work and making it operationalised. If you look at the earlier global travel taskforce, I would point towards test to release.

You had about a month's worth of time for the report, and then before the Christmas period test to release was implemented. That is something that is robust and is sustainable. This is very much about bringing the right people together in the right way, following the Prime Minister's road map and making a difference to ease restrictions on the sector as quickly and safely as we can, but in a sustainable and robust way.

Q56 Chair: The witnesses were full of praise for the Government's vaccine programme, and rightly so. Do you think there is a concern that we could have got an early dividend as a country by being able to unlock international travel? We are rather delaying the party as far as that is concerned, and it may be that the European Union countries that have been slower on the vaccine may end up in the same place as the UK when it comes to summer travel?

Robert Courts: I understand that, but I do not think it is the case, to be honest. The other countries are in a similar position to us. All we are really hearing from the other countries is an intention to do something. We have laid out the way we are going to make progress over the course of the next month, with a report to the Prime Minister on 12 April, and then looking towards travel at some point after 17 May. Crucially, this is likely to involve working with other international partners in any event. I suspect it is unlikely that many countries will be doing it on their own. No; I think we are world-leading.

Chair: I will not ask Mr Moriarty those points because they are more policy based in that sense. To continue with the road map to restart the aviation sector, I hand over to Ben Bradshaw.

Q57 Mr Bradshaw: Minister, you just said "at some point after 17 May." Can you be a little bit more specific? Most people are hoping that these stage processes, if you like, are not going to be put back by a long time. Are you talking about days or weeks? The industry and consumers need to plan.

Robert Courts: Mr Bradshaw, I totally understand the requirement for as much certainty as possible, both for consumers and the industry. You



are absolutely right to raise it. At this stage, given that we are still very much working with industry and working out how we are going to do this, I think it would be premature for me to be too precise. I totally understand the need for certainty, and I am not wishing not to provide it, but at this moment we need to work through the quite complicated factors that we have to look at as we get the global travel taskforce report together.

We have said that there will not be any travel before 17 May. We will look as soon as we can after that, but it is not something I can give more detail on at the moment, I am afraid.

Q58 Mr Bradshaw: By the end of this month, all the vulnerable groups will have been vaccinated. What risk do they pose by going on holiday or by going to visit relatives in other European countries? I do not quite understand the delay. If the vaccine programme is as successful as we all accept it is in reducing hospitalisations and deaths, why are we waiting another six weeks or two months before basically stopping it being illegal for people to leave the country?

Robert Courts: There are a couple of key points that you have put your finger on, which I will address if I may. The first of those is that, as we have heard already this morning, we do not yet understand the scientific basis for how, whether or to what extent vaccines reduce transmission. That is a key point. Obviously, every other country will have to make sure that it is happy with whatever system is being used. That is why I emphasise the point about working with sector colleagues. We have to make sure that other countries see something that they are happy to recognise. That is obviously work that we will have to do, and it has to be operationalised with airlines.

The second point is with regard to variants. The most distressing news for all of us over the course of the last few months is the rise of new variants, and we have to guard against those each time. The science is doing very well, but it is still catching up to a certain extent. We need to know more before we can take the very quick action that you would urge on me.

We are looking at a suite of factors. That is quite an important point for me to stress at the moment. The Prime Minister's road map referred to building on the suite of measures that the Government have already introduced. That may include testing and it may include vaccines. There is a lot of work to do as we bring all the moving parts together. Where you are coming from on this—capitalising on the vaccine and getting travel moving as soon as we safely can—is what we want to do, too.

Q59 Mr Bradshaw: Can I ask you a question I asked the industry leaders? Did you see the scientific evidence on which the hotel quarantine policy was based?



Robert Courts: With the caveat, of course, that this is a Department of Health lead rather than a Department for Transport lead, which it is important to say at the outset, these decisions are made on the basis of a number of scientific factors and on the back of scientific advice.

What you see with the hotel quarantine policy is another layer of protection that goes on top of the already quite robust measures that we have, with pre-departure testing, quarantine and tests on day two and day eight. It is another layer where you are dealing particularly with the variants that cause concern. That is the key point.

Q60 **Mr Bradshaw:** Our travel expert told us earlier that it actually increases risk because people are going on indirect flights rather than direct flights. They are therefore mixing more with passengers in different airports and on different aeroplanes.

Robert Courts: There will always be disputes among experts as to what is the best thing to do, but the Government have at all times followed medical advice and the scientific advice. What you are seeing is the result of that, as another layer of security on top of the already strong border measures that we have.

Q61 **Mr Bradshaw:** But that advice has never been published. I asked for it in January in a written question to the Health Secretary. It was supposed to be answered at the beginning of February, and I still have not had an answer. Could you encourage the Health Secretary to please publish that advice?

Can we look forward to the vision that you have for the reopening of travel, as we hope it will start again from 17 May? You have heard what the people in the industry and the experts have said. Do you share a similar vision around passports and maybe cheaper testing? How do you hope to get things moving again?

Robert Courts: This is really quite an exciting time as we look at building on the success that we have had in a number of areas. The vaccine is the real shining Government stand-out success at the moment, but there has also been a huge increase in testing from where we were last year, both in terms of the types and the costs.

I will refer again to that line in the Prime Minister's road map because it is building upon the suite of measures that we have already. In terms of where we want to go, I think we all probably share the same view. We would like to see travel facilitated in a way that is smoother and takes advantage of the technology that is available.

The vaccine will probably have a part to play in that. I suspect testing may as well, because there will be those who perhaps cannot have the vaccine, or countries where the vaccine roll-out is regrettably slower than it is in this country. I would expect to see a suite of measures, but the ambition of getting travel moving swiftly, safely, robustly and smoothly is something that I think we all share.



Q62 **Mr Bradshaw:** In that case, why has a succession of Ministers advised people not to book summer holidays? You must accept that confidence is hugely important for the consumer and for the industry over the next few weeks, building up to the April date and then the May date. Are you prepared to book a summer holiday? Would you recommend that my constituents book a summer holiday, as I already have?

Robert Courts: This is a really key point. You are absolutely right about confidence. There are probably two aspects to confidence. There is the aspect about it being safe for me to get on a plane, and am I putting myself at risk? That is medical or health confidence, as it were. Then there is confidence about what is likely to happen. It is the second one that is probably key at the moment.

As we have seen, this is nothing if not an unpredictable virus. We have seen changes, and it is very difficult for any of us sitting here to look forward and know exactly what is likely to happen in the future. It is not possible to tell individuals or families at this stage what they should do, because it is impossible to predict the future, or the course of the pandemic. As I say, this has been a very unpredictable virus during the course of the last year or so.

At the moment, domestic and international travel is only allowed in certain circumstances and, as you know, not for going on holiday. In any event, we have said a number of times that no travel is risk free because the health situation can change very rapidly and that can impact people. I entirely understand that there is an element of assessing risk for individuals because they may wish to secure a place or a price, but equally they then have the associated risks if the virus were to take an unwelcome course.

I suggest that what people have to do—going back to the first witness's point—is look at taking a course of action that means they give themselves options and flexibility. They should look at the risks and be clear about the implications of any booking terms and any insurance to make sure that they do not put themselves at the risk of any loss.

I refer again to the Prime Minister's road map and to the global travel taskforce. We have that month when we will be laying out a plan. Then there is another month as we look to operationalise what we are likely to be doing. The certainty that everybody looks for from a consumer perspective is something that we will seek to achieve as soon as we can.

It is key to recognise that what we are guilty of doing here is looking at the date when people make a booking, whereas in reality what we should be concerned about is the situation that exists at the time of the holiday. That is why it is difficult to look ahead. People have to apply the law as it exists at that time.

Q63 **Mr Bradshaw:** The latest evidence suggests that the vaccines are very effective at cutting transmission and are effective against all of the so-



called mutant strains. Can you be a bit more optimistic for us on the Committee and for consumers? Do you expect things to be going back to normal by the summer, otherwise why have you put the 17 May date in the nation's diary?

Robert Courts: You are absolutely right, and I agree with you, that the evidence looks promising at the moment, but there is still a long way to go with regard to the science. What I want to do is to make sure that what we have is robust and sustainable. As the Prime Minister said, none of us wants to be going backwards on this. I want something that will stand the test of time over the course of the next few months. That is what we are focusing on.

We want to move things along as fast as we can, but I have to be slightly cautious at the moment because it is complicated and there are a lot of moving pieces, within Government, in the health environment and internationally. All of us want to get aviation up and running again as soon as we can, but it has to be robust and sustainable.

Mr Bradshaw: Thank you, Minister.

Q64 **Chair:** Finally on that section, before we move to Government financial support, hotel quarantine is a classic case; some say the Government should impose it for all international arrivals, and others say it is unworkable in any sense. How is the policy working out in practice? Perhaps this is for Mr Moriarty in terms of numbers. How many people are currently under hotel quarantine in the country?

Robert Courts: I do not have the statistics, I am afraid, Chair. I can write to you, of course, and make sure that you have those details. The policy is one that, as I understand it, is working. It is providing an extra layer of security, which is what we are looking for, particularly vis-à-vis the variants from the red list countries.

Q65 **Chair:** I understand that the Home Office controls the numbers, so it is unfair to throw that at you. Mr Moriarty, do you want to add to anything we have just covered?

Richard Moriarty: It is really important that the industry coalesces around the global travel taskforce—the point the Minister made earlier. We have a clear plan coming out of this that is robust and stable. It is also one that the industry is fully engaged in. The initial conversations we have had are very positive in that regard. People are engaging very positively in discussions so far.

Chair: Thank you. I can see that our colleague Grahame Morris is itching to get in, so let's move to Government financial support.

Q66 **Grahame Morris:** Thank you, Chair. Good morning, Minister and Mr Moriarty. I am sure that you were tuned into the earlier sessions that we had in the Committee. I want to pick up on something that Michael O'Leary said. He was not effusive in his praise for Government policy, other than on the vaccine programme.



He was critical about the piecemeal approach. When the Minister was at the Committee last time, in February, he told us about the £7.3 million in financial support. As we look at that and whether it is sufficient, we have the recovery plan and we have the Budget today, but we are looking forward to the aviation recovery package. That needs to demonstrate that we have a support package to enable the industry to recover going forward.

Minister, it was very effective earlier in the summer when we had the tripartite arrangement between the Government, employers and airport operators as well as the trade unions. That was over Covid safety. Do you think that is a suitable way forward to devise our recovery plan, to ensure that it is not as piecemeal as Mr O'Leary suggested, and we have a joined-up approach where everyone is on board and going in the same direction?

Robert Courts: If I understand the question correctly—forgive me, or come back if I haven't—I think you are asking me whether I think it is right that there should be a joined-up approach between the unions, the sector and Government to make sure that what we do works properly. I entirely agree and that is precisely the point of the global travel taskforce. It is bringing together all those various sectors.

I have very regular engagement myself with all the people you have mentioned on an ongoing basis. I always say, and I am absolutely clear, that my door is always open. If anybody has any ideas they want to share, or any best practice, anything they want to work with us on or anything they think is being missed, they should let me know and I will hear what they have to say. I want to make sure that we have a joined-up approach and that everyone's views are fed in. It is the expertise of the sector, the expertise of the unions and their resourcefulness, passion and dedication that is going to get airlines flying again in a robust and safe way. That is what is going to lead us to the better days that are just ahead.

Q67 **Grahame Morris:** Do you have anything to say on that, Mr Moriarty? Are you supportive of such a joint approach? A more formalised approach is what I was suggesting, rather than an open-door policy.

Richard Moriarty: I am very clear that UK aviation has a proud record of working together as an ecosystem. It requires all parts of that system to pull together in the same direction. We are in unprecedented times. Never has it been more important for us to do that and really swing behind the Government and the Minister with the global travel taskforce.

Robert Courts: Chair, could I come back on that to add a little bit more colour, lest my comment is misunderstood? When I say an open-door policy, I simply mean in addition to the engagement that goes on anyway. What the global travel taskforce does is bring together itself—the CEO level. That is the meeting that was referred to, and which the Secretary of State ran yesterday.



Underneath that, there are eight workstreams which focus on all of the nuts and bolts pieces. That is where other people get brought in. We have regular engagement that goes on anyway, for example, through the expert steering group. I take part in that as well. It is high-level officials as well, depending on what we happen to be discussing that day.

Then there are the workstreams, which deal with many of the issues you have been raising today—things like consumer confidence, certifications, borders and international work. They all have workstreams. That is where the formalisation that you referred to, Mr Morris, is seen. It is not a laissez-faire case of, “Come to us if you want to say something,” but quite the reverse. We have a structured programme of engagement. That is exactly what the global travel taskforce is. I simply made the point that on top of that my door is always open.

Q68 Grahame Morris: I am grateful for that clarification, Minister. I think a more formalised arrangement certainly worked very well in the summer, in relation to Covid safety and ensuring that the airports were healthy, and in a position to move forward where that was possible.

The Government have announced an airport and ground operations scheme. That is for airports and ground handlers, who are able to apply for up to £8 million. Is there any intention to extend it to the airlines? I do not know whether we will find out this afternoon. Mr O’Leary was a bit unhappy that most of the support seems to have been directed to airports and ground companies.

Is it unreasonable when large sums of public money—over £7 billion—are being put into this very important sector that there should be some conditionality applied? My colleague Ruth Cadbury raised this a little earlier with some of the other witnesses. Shouldn’t we be saying to airlines and other corporate entities that there are obligations and conditions?

I don’t know if you heard the discussion about public service obligation routes and dividends to shareholders. Should we be paying large sums of money in grants and loans to corporations that, quite frankly, do not need it? Should there be conditions about job retention and the important skilled workforce we have in this sector, and about the sustainability that Ruth mentioned earlier? Do you have any views on that, Minister?

Robert Courts: The key thing to remember at the moment is that the way the Government have approached this and the whole of the support to the crisis is making sure that there is a wide, economy-based approach. There are a number of different schemes that apply to different people.

It is always very important that they are able to be rolled out quickly and are in place for the people that need them. I think that really is something that has been successful. I refer to the comments that the IMF boss, Kristalina Georgieva, made. She said that that package of economic support was one of the best examples of co-ordinated action globally,



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after a recent visit. I think the Government are world-leading on this, and that applies across all areas of the sector.

You quite rightly refer to the fact that it has always been of enormous value to the aviation sector. That estimate of about £7 billion-worth of support, as you know, comes from a large amount of furlough and UK Export Finance. There are a number of different elements. It has been hugely significant. The key thing has to be that we support the sector through that.

In terms of looking to the future and what we would like the sector to be, it is right that at the moment we focus on the pandemic and the immediate response to that. Then we can look to the future. We are putting together a strategic framework to look at the medium and long-term recovery of the sector, which we will look to publish later in the year.

If I may just say one more word on that, I would like to be clear about some of the terminology that we use. We have the recovery plan itself. In terms of the short-term recovery, I refer you to the global travel taskforce, which is looking to get the sector flying again in the shorter term.

In terms of the wider policy angles of what we would like the sector to look like in six months and the next few years, I would refer you to the medium and long-term strategic framework, which we will be working on as well. For now, I know you will understand why, and I hope you agree, that at the moment supporting the sector has got to be key in getting people back flying again as soon as possible.

Q69 **Grahame Morris:** I appreciate that there are immediate and longer-term objectives. Mr Moriarty, do you have a particular view, looking forward to the aviation recovery plan and the package of financial measures that are going to support it? What can we do about sustainability and building resilience into the industry as we develop that road map and that plan? Is there anything further we can do so that we build back better, as it were?

Richard Moriarty: I think the industry are really keen to have that conversation with Government and policymakers because they absolutely recognise that aviation has to be a good corporate citizen when it comes to sustainability. Although there are plans on net zero in the future, you will know that the indicators are that aviation's share of carbon emissions will grow over time as other industries decline.

For me, one of the central questions for the longer-term policy framework that the Minister mentioned is how aviation takes its place as a good corporate citizen with respect to sustainability. As you can imagine, all eyes at the moment are on trying to get this great industry off its knees and creating jobs and wealth for the UK economy. I believe that aviation is a strategic industry to help the UK recover from Covid.



Robert Courts: The aviation sector has been hugely forward-leaning with regards to green recovery in particular. Perhaps I will not go on for too long because there is huge enthusiasm here and I know that everyone would like to discuss it, but perhaps it is a matter for another session.

Through the jet zero initiative, through the sustainable aviation fuels work group and through the Prime Minister's 10-point plan, you are seeing some real promise. The sector has hugely embraced this, both from an aviation airline operator point of view and also from an aerospace point of view. We are seeing that happen already. There is a really exciting future for the sector in green aviation going forward.

Grahame Morris: Thank you very much.

Chair: Over to Simon Jupp, again on the Government financial support measures.

Q70 **Simon Jupp:** Good morning, panel. Thank you very much for joining us. Grahame touched on the airport and ground operations support scheme. Obviously, we know that the Budget is later today, and any fiscal measures will be announced at that point.

I want to touch on another aspect of support. One of the things that has been very limiting for our aviation sector has been the impact on airlines themselves of not being able to fly, and not least the fact that some airports have been closed. Are there any plans to introduce a specific support scheme for airlines? As touched on earlier in this session, we would like to avoid another Flybe.

Robert Courts: Mr Jupp, I entirely understand that this is a matter really close to your heart and for your constituents. I will say at the outset that the Government are absolutely on all fours in agreement with you about the importance of regional aviation in particular, which I suspect is a major concern for you in terms of levelling up, regional growth and the way we see ourselves as a country. We want to do whatever we can to support.

I have already referred to a lot of the support measures that the airline industry has quite rightly taken advantage of and has used. Obviously, any measures going forward will be a matter for the Chancellor. From my perspective, I am absolutely focused on making sure, through the GTT, that we get people flying again. It is building on the suite of measures we already have. It is looking to see what role vaccines and testing can play. It is through getting people flying again that we protect our airlines, our airports, our ground handlers and all of the industries that make up the whole aviation ecosystem.

Q71 **Simon Jupp:** I take your point. I agree with you that confidence needs to return. It will take longer, directly as a result of Government policy around quarantine, to improve confidence once more. That will have knocked back the industry, let's say for another six months or longer.



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Naturally, people will be very nervous.

In the earlier session, we touched on the viability of regional airports. Every single regional airport is run in a different way. Different groups own them. Are you confident that we will not see the closure of any regional airport as a result of this crisis, because confidence does not return to a certain part of the country and flights do not return because operators like Flybe no longer exist?

Robert Courts: I am not under any illusions about the scale of the challenge that faces airlines and airports alike. It is absolutely significant for them, and has been a challenge like no other, as of course it has been for everybody in other areas of the economy. We will be looking to see what we can do to support them in the medium and long term from a policy perspective, but in the short term what we need to do is to get people out and about and flying again, which is what I am absolutely focused on doing.

I have huge confidence in the resilience of the sector, its imaginativeness and its drive. I am confident that as we build on that suite of factors, and the testing success and the vaccine success, we will see aviation come bouncing back.

Q72 **Simon Jupp:** I know that you were listening to the last session with Michael O’Leary. He had amazing message discipline about APD—air passenger duty. It is a point that I believe we have raised as a Committee with you many times before. We were promised an APD review. Where is that? When can we see it coming forward? Do you have a timescale in mind?

Robert Courts: You are quite right, yes, I heard it, and that point has been raised before. It has absolutely lodged with me. Of course, I will continue to have conversations with colleagues in Government and in all Departments with regard to supporting the sector. As you know, it is a taxation matter. It is a matter for the Chancellor. The Government have committed to that review, and I am confident that it will happen in due course.

Simon Jupp: Thank you, Minister.

Chair: A number of Members want to come in. I suggest I bring in Gavin Newlands, who is going to cover something on this section and the next section. I will then bring Ruth back in and then Lilian—to save me WhatsApping you all.

Q73 **Gavin Newlands:** Potential regional disparity has been mentioned, but there is already regional disparity because regional airports and smaller international airports have been hit harder than the likes of Heathrow. As we come out of this, that recovery will also be unequal. Are the Government looking at that issue?

We are still waiting for the regional connectivity review, which might help in these circumstances. How are we going to resolve it? Will PSO routes



help regional airports? What are we doing about the communities around airports who have suffered? I have Glasgow airport in my constituency, and thousands of jobs have gone.

Robert Courts: Again, you are quite right to draw attention to that. We tend to talk about things in terms of airports and airlines, but it is people's jobs. It is about people. Ultimately, it is about communities. That is why I referred to the way we see ourselves as a country as outward-looking internationalists, but also moving around freely within the country itself. This is absolutely key for the Government.

You are quite right that there is a Union connectivity review. Through the future strategy paper that I referred to, we will be looking at things like supporting regional aviation and connectivity throughout all parts of our Union, and looking to see what we can do to support that in the future. Its importance is absolutely critical, and the Government totally recognise that.

Q74 **Gavin Newlands:** To be clear, will PSOs, at least on a temporary basis, be part of that?

Robert Courts: I beg your pardon, that was part of your question. We will consider all aspects. PSOs might be a part of it. It is too early for me to say at the moment, but we will consider anything that might assist. It is too early for me to go into any of the specifics at the moment.

Q75 **Gavin Newlands:** I appreciate this is the morning of the Budget and my colleague, Simon Jupp, has already touched on the AGOS scheme. Given that the Scottish Government brought a similar scheme forward, though a bit larger in scope, last April, why did it take until November to announce such a scheme and its recent implementation? I know that the Chancellor will be on his feet later, but, if it is extended, will its scope be extended? Will it be uncapped as in Scotland, and will it apply to airlines?

Robert Courts: The AGOS scheme, of course, covers the last financial year. Although it was introduced a little bit later in time, it still covers that financial year. With regard to what will happen in the future, I am sorry, but, as you know, I have to give the answer that it is a fiscal event and is a matter for the Chancellor. We will hear what he has to say in due course.

Q76 **Gavin Newlands:** You may have heard me touch on this question with the last panel. I have spoken to you before about VAT-free shopping at airports and how important it is, particularly to smaller airports. It makes up a much larger proportion of their revenue and helps them to finance other aspects of their work. It helps to attract routes to airports and will absolutely help in any recovery. The fact that that revenue will no longer be there is difficult. Are you pressuring the Treasury to think again on the issue, given that the OBR were quite critical of it, and that it was based on completely incorrect assumptions and estimates of expenditure?



Robert Courts: It is important to be clear that it could not stay as it was. There had to be a change. It was either extended to everybody within the European Union or not, and then it was a question for the Treasury as to how much they would gain or lose by that. All taxes are kept under review. As you know, I am quite confident that the Chancellor will have heard the comments that you and others have made. As I say, they will be kept under review and considered in due course.

Q77 **Gavin Newlands:** We have heard the Government promise sectoral support. To be honest, the only sectoral support has been the AGOS scheme, which has come latterly. Can I ask—

Chair: We can hear Gavin, but he obviously does not think that we can.

Gavin Newlands: Sorry, I can hear you now.

Chair: We could hear you. You were mid-question. You just couldn't hear yourself.

Q78 **Gavin Newlands:** I will move on because I appreciate that time is moving on. Issues have been raised with me by a number of airlines to do with reciprocity with regard to the current Brexit deal. There is an issue with obtaining permissions to fly. There is currently freedom for EU carriers to object, with no reciprocal rights for the UK. There is a third issue with regard to leasing rights to other airlines. I am sure you are aware of these issues so I will not go into them in great detail. I am sure you will have been challenged on them. Could you perhaps outline the Government's thinking on them?

Robert Courts: Of course, I am aware of those points. The deal allows there to be flights operating between the UK and the EU. As you know, there is an ongoing relationship, a unit, as it were, within the Cabinet Office. They will be taking all of these matters into account with regard to any future evolution of the relationship between us.

Q79 **Gavin Newlands:** Do you think that is an answer that the industry will be happy to hear?

Robert Courts: It is very difficult for me to say at the moment what any future evolution of the relationship might be. As I say, I welcome the deal as it is; it provides the certainty that the airline sector requires and gives the ability for airline flights to move backwards and forwards freely between the UK and the EU. I welcome that. We will have to see what the future relationship may hold.

Q80 **Gavin Newlands:** There are obviously people's jobs being lost as a result of this particular issue, so it would be good if you could act on that. Our Committee reported last year that the slot allocation process should aim to encourage competition and provide the connectivity that UK consumers need. What are your plans for slot reform? I appreciate you are looking to get an additional power in that respect. Do you believe slot reform might be needed to alleviate competition issues?



Robert Courts: There are a number of important issues around slots. As you know, the allocation of slots in the short term is a matter for ACL, which is independent of Government. The issue of the allocation of slots is now for them.

The Air Traffic Management and Unmanned Aircraft Bill has just gone through its Committee stage, and we are waiting for it to come back to Report stage. If passed and given Royal Assent, it will give greater powers to the Secretary of State with regards to looking at the 80:20 rule and temporary alleviation of that. It will be looking at the ratio and the conditions. That is an interim step, as it were.

With regards to longer reform or future policy, I refer again to the strategic framework in the medium and long term. Any such work would have to be a part of that. Clearly, it would need to be consulted on. It would be something we would have to look at very carefully indeed. It is something that we would look at considering in that report.

Q81 Gavin Newlands: To delve a little into the slots, several airlines have raised concerns over the extension of the 80:20 waiver. How would you apply it flexibly, for example, on specific routes, given that demand will not come back at the same time? We have already covered the unequal recovery in the sector for different routes. How do you plan on applying it with some flexibility?

Robert Courts: At the moment, the reason we have approached it in the way we have is that we think it is right, in the midst of a pandemic, that we support the sector. If we do not, there would be a risk of ghost flights being flown in order to keep slots. That clearly would have unwelcome environmental consequences, and it would also have consequences in terms of cash flow, both which we would all want to avoid.

We would have greater powers through the Bill, if it is passed, but the wider issue around slot reform and flexibility is something that will have to wait longer. It is the strategy piece that we are looking at towards the end of the year.

Q82 Gavin Newlands: Towards the end of the year?

Robert Courts: Later in the year, to clarify that.

Gavin Newlands: We will hold you to that.

Q83 Ruth Cadbury: I have two issues to pick up with the Minister. One is the area-based impact of the aviation situation. Aviation is probably the sector that will take longest to recover. Around Heathrow, the unions estimate we could lose a total of 30,000 jobs. Many people are already out of work and not furloughed. Unemployment rates around Heathrow and Gatwick are triple what they were. We have both a sector-based and an area-based impact.

Furlough needs extending to the people who should be furloughed. There also needs to be some support for training and upskilling, so that those



people can get back to work quickly in aviation as soon as the work returns, and support where those jobs are going to take years to return and people need to be supported into other sectors that are going to return to resilience quicker. Are you working with your colleagues in other Departments on this really important issue?

Robert Courts: Yes, we are. You are right; it is a critically important issue. I am acutely aware of the fact that it is particularly important for your constituency and for those around your constituency. It will obviously be a matter of great concern. That is why I refer to the wider aviation ecosystem. I know we tend to talk about airports and airlines, but it is jobs, people's livelihoods and communities. That is what is really important. I never lose sight of that for a second.

DWP has a number of schemes that help with retraining in particular, but recently we have introduced a skills retention platform, which is open for sector engagement at the moment and will be open for workers to look at very shortly. It enables aviation or skills-based roles to be advertised. People with those skillsets can apply.

I very much hope that it will be a useful tool in bringing together people with the right skillsets and those who are offering skilled jobs, so that we can keep people in the sector and keep hold of and retain the skills that we need. We are going to need them as aviation bounces back. I know it will be a tricky path to tread, but I am confident that it will happen. We will need them because of the importance of aviation for every part of our country, from the constituency-based level, such as in your constituency, all the way through to looking at global trade policy.

Q84 **Ruth Cadbury:** The other question I want to push you on, Minister, is this. You were fairly laid back in your answer to the question from my colleague about the UK's climate commitment and the growing importance of aviation to that. As other sectors have proportionately fewer emissions, aviation's role will be exposed. Is there not a role for the Government to use their leverage powers, including in recovery, to do what other Governments have done in order to be a little firmer on the aviation sector in terms of its delivery of not just carbon emissions but the other greenhouse gases that flying emits?

Robert Courts: I am sorry if I seemed laid back. I was simply enthusiastic about it because I think great strides are being made. This is a complicated area. It is not just airlines. Airports and ground handlers are involved as well.

We are going to be producing as a Department a transport decarbonisation plan. That will be an important part of the work of how we do this. I simply wish to draw the Committee's attention to the fact that there are great strides being made already with what the Government are doing through the Jet Zero Council, for example, and through the sustainable aviation fuels competition that we announced recently. We are making great strides. It is an exciting time for aviation.



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I am not under any illusion: there is still a challenge. Clearly there is; it is what is called a hard-to-decarbonise sector, but we are doing a huge amount already. It is massively important to the Government's central purpose and to the future of aviation as a whole. If we get an opportunity to lead on it, I want to see us do that.

Ruth Cadbury: Thank you.

Chair: Let's move to a different section. You may have heard Lilian Greenwood discussing with Michael O'Leary the subject of passenger rights and refunds, which the Committee has been focused on. She will do likewise now with you.

Q85 **Lilian Greenwood:** Good morning. I will start with Mr Moriarty. You heard Mr O'Leary dismiss findings from *Which?* that 2.3 million people in the UK have not received their money back for flights that they could not take during the pandemic. Is he right?

Richard Moriarty: I appreciate that this is an enormously important issue for consumers and your constituents. He is right that in the early days of the pandemic airlines were overwhelmed with the scale of the issue. That is one of the reasons why we took firm action in the way we did. Our latest data suggests that over 95% of all refunds for cancelled flights have been paid back to consumers. That is about 20 million passengers in total. It totals just over £3 billion. Many of the major airlines are now at 100% or 99% on cancelled flight refunds.

Although I do not personally know the source of the *Which?* data, I am not complacent. There are still refunds that need to be paid. Often, they are less straightforward. They are complex transactions. Maybe the credit card has expired. Maybe a third party is involved, such as an online travel agent. In terms of the cancelled refunds, the issue that was causing much consumer grief at the start of the pandemic, broadly between 95% and 99% of them by airline have now been paid back.

Q86 **Lilian Greenwood:** I think the point that *Which?* was making was perhaps not in cases where there is not a legal requirement to provide a refund, but where limited flights are operating but the passengers cannot take them because it would be illegal to do so. Do you think the position taken by airlines that they could not have a refund in those circumstances is fair?

Richard Moriarty: You are absolutely right, in that just before Christmas there were passengers who decided to cancel a flight, and therefore the law on cancelled flights was not invoked. Those are a much smaller percentage of overall refunds than those for cancelled flights. Our numbers are not near the 2 million figure that *Which?* quoted, albeit, as I said, that I do not personally know how that was calculated, so it would be unfair for me to comment on it.

What I would say is that our sister organisation, the Competition and Markets Authority, has launched an investigation because the issue goes



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across the economy. There have been wedding cancellations and event cancellations. I am no lawyer, and I will never give you legal advice, but there is a law of frustrated contracts that the CMA wishes to use to investigate the practices of some operators, including airlines.

However, some airlines have been good. They have offered refunds and rebooking, but your point about Ryanair is right; not all airlines have done that.

Q87 Lilian Greenwood: You said that 95% or more of refunds have been issued. Do you feel that you have done enough throughout the crisis to ensure that airlines refund passengers, travel companies and operators in a timely manner? Are you satisfied yourselves with what you have done?

Richard Moriarty: We took firm action. We were the first regulator in Europe to issue guidance, making expectations very clear that cash had to go back to consumers. We placed a number of airlines under review and asked them to give us commitments on getting their backlogs down. We closely monitored their performance, and they all met those commitments to us.

I am sure there are lessons that we can learn about whether the airlines had sufficient resources in call centres and things like that to deal with communications in the earlier part of the pandemic. There is a question, which Simon Calder mentioned at the start, about whether the pandemic has shown that there is a case to improve our powers in that regard.

Q88 Lilian Greenwood: You called on the Government to give you stronger enforcement powers. What is the one power that you wish you had had at the start of the pandemic?

Richard Moriarty: Our Enterprise Act powers are quite cumbersome and time-consuming. I think Simon Calder mentioned that it takes two or three years for cases to go through, which most consumers these days would not regard as swift redress.

Other sector regulators—Ofcom and Ofgem—have modified their powers over recent years. They have the ability to declare publicly that there has been a breach of the law. They can get a company to desist from what it is doing and pay money back. They can, indeed, issue financial penalties on failing companies. We do not have that toolkit, although I should say that we have very constructive conversations with Government colleagues about improving our toolkit over time.

Q89 Lilian Greenwood: Maybe I can ask the Minister. Minister, are you going to give the CAA the toolkit that it needs?

Robert Courts: It is something we will certainly be considering. A number of very important points have been raised there, and we will be looking at that in the future. These are unusual circumstances. You have put your finger on precisely why it has been so challenging for the sector and for the regulator itself.



There is always that difference, of course, between whether a flight is cancelled or whether the flight might operate but the passenger is unable to travel. That is a particular new point that has arisen through the circumstances of the pandemic, so it is right that we look at that. I think we need to wait for the Competition and Markets Authority's two investigations first. We need to see what they have to say, but we will be looking at it going forward.

Lilian Greenwood: Thank you.

Q90 **Chair:** In the last few minutes I would like to touch on a few things that you have mentioned. First, this Committee has welcomed the tone of the Civil Aviation Authority over the years, but has bemoaned the lack of powers. You often have to go to court to enforce them. Minister, why is it that we have not given the CAA the additional powers that perhaps similar authorities in Europe have, to be more proactive in this space?

Robert Courts: Chair, you raise a very good point. It is difficult for me to make a comment on why something has not been done in the past, and before I came into the role, of course. What I will do is commit to looking at this, which we will anyway, to make sure that the CAA is modern, has the powers it needs and is able to address the circumstances that we normally see arise, as well as the unusual ones we have seen in the circumstances of this pandemic.

Q91 **Chair:** Again looking back, we talked about the airline insolvency review when we had the big collapse of Monarch. I then asked the same question about it in the House of Commons in relation to Thomas Cook, yet I do not believe it has made its way to the statute process. What is the hold-up on the insolvency legislation? It is particularly important if we restart and then airlines get into difficulty. The CAA will be in charge of another huge repatriation effort unless there is some kind of reform.

Robert Courts: Again, Chair, that is an extremely important point. It is difficult to do that sort of wide-ranging major reform while you are in the teeth of a pandemic. There are a number of points we will be picking up as we look to go out of this. I know I have said this quite a bit, but it is important; we need to deal with the immediate restart now, getting airlines flying again and supporting the sector through freeing up travel as much as we can. Then we will look forward to many other factors later in the year as we have that strategic framework.

Q92 **Chair:** Coming back to the taskforce, obviously the most important thing is that it produces a route map forward and there is certainty. I remember that the taskforce was due to report at the end of November, when it was last in place.

We did not hear anything, and the feeling was that it had reported, but it had reported to No. 10 and we were waiting for them to act. Is 12 April the day when everybody—passengers, the industry and the public at large—will hear what those proposals will be, or is that 12 April deadline the date when something gets posted to No. 10?



Robert Courts: That will be the date when we report back to the Prime Minister. After that, we will have a process of considering the recommendations and how they are going to be carried into effect. At the moment, I cannot tell you whether it is likely to be that date in April or the date in May, but the April date is certainly when we report to the Prime Minister.

Q93 **Chair:** A lot of people think that 12 April is the day when it reports at large, not least because, if the industry is fortunate enough to be able to restart flying on 17 May, they will need time to know what is being reported. Last time, there was a two-week delay in December waiting for the Government to actually announce it. What can you offer by way of confidence to the industry that they will get a Government decision by 12 April?

Robert Courts: The key thing to remember with the taskforce is that of course the industry is involved in it at all times, so they will be a part of shaping that document, and shaping the plan going forward. That is why I am keen to stress that the taskforce is not just Government. It is Government and industry. They are included at all times, but I will take that point away because I want to make sure that the sector has the certainty it needs as well.

Chair: Indeed. The industry may be involved in the discussions, but it will be the Prime Minister who makes the decision. They will be looking for the Government, led by the Prime Minister, to make a decision by 12 April, so we will be anxiously awaiting more certainty on that front.

Ben Bradshaw has a point on that.

Q94 **Mr Bradshaw:** Thank you, Chair. Very briefly, the European Union is talking about reopening travel within Europe by June, and it is way behind us on vaccines. Minister, why are we not moving at a more ambitious timescale? What discussions have you been having on things like the green card or the vaccine passports? Will it be co-ordinated, or will we all be doing our own thing?

Robert Courts: That is an excellent point. I would gently push back on the suggestion that we are in any way behind any of our international partners. I think we are absolutely ambitious and are leading on this in the way that we are approaching it and in building on the suite of measures that we already have.

In terms of what conversations have been ongoing, there have been a large number of conversations between officials and myself with regard to international partners, commercial providers of technology and so on. While I cannot give you a blow-by-blow account of where we are on that at the moment—not least for diplomatic reasons, as I am sure you will understand—we are very much driving forward on that.

Mr Bradshaw: Thank you.

Chair: Minister and Mr Moriarty, thank you for giving us so much of your



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time, and for the time you gave listening to the other evidence sessions. As a Committee we will write to you, or issue a short report, with regard to some of the matters we have heard.

We wish you well, particularly with the taskforce and cracking through with it, so that the aviation industry can lift off once again. Thank you for your time.